

China and Global Governance under Xi Jinping

Problematizing China's Leadership through the
Belt and Road Initiative

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Abstract

The current international system in which China is rising unprecedentedly in economic terms is highly-institutionalized, fragmented, issue-area specific, and is predominated by the US and its allies. In this context, Beijing is pursuing increased proactivity in global governance, with more assertive narratives and a more pragmatic and dualistic approach compared with the preceding presidencies. As an overarching foreign policy under President Xi Jinping, the Belt and Road Initiative (BRI) primarily aims to improve infrastructure connectivity, trade liberalization, and financial integration in the global dimension. This dissertation seeks to analyze the BRI's effectiveness in fulfilling Beijing's desire of global governance leadership by resorting to principal International Relations theories.

Drawing upon neorealist paradigm, due to the revisionist nature of China's ascendance in an established international system under pervasive US influence, it is argued that the newly-established institutions in support of the BRI, together with innovative norms and practices, by and large cast de-concentrating and de-legitimizing effects on some of the Western-centered global governance arrangements, a necessary stage before rising dominant powers actually come to assume global leadership. Through the neoliberal prism, the complementarity of the BRI with international commitments foments China's role as a responsible power, and confers it greater leverage in the evolving global governance pattern against the backdrop of a more inward-looking Washington. From a recipient perspective, endorsements from elites of BRI-related states have generally emboldened the BRI and enlarged its membership, while resistance derived from the general public overshadows the future prospects of the project, pursuant to the neoclassical realist doctrine. It is therefore concluded that overall the BRI has been by now an effective instrument in Beijing's long quest for leadership in global governance, but additional efforts are needed to tackle associated challenges and risks.

Keywords: Global Governance, China, Belt and Road Initiative, International System, International Organizations, Leadership.

Resumo

O atual sistema internacional, no qual a China ascende sem precedente em termos económicos, é altamente institucionalizado, fragmentado e específico em áreas de assunto, e encontra-se predominado pelos Estados Unidos e os seus aliados. Neste contexto, Pequim está a perseguir maior pro-atividade na global governance, crescentemente acompanhado de narrativas assertivas e uma abordagem mais pragmática que contrastam com as das presidências anteriores. Enquanto política externa primordial do Presidente Xi Jinping, a Iniciativa Faixa e Rota (abreviada como a BRI, sigla em inglês) tem como objetivo promover a conectividade de infra-estrutura, a liberalização do comércio, bem como a integração financeira na dimensão global. Neste contexto, recorrendo às teorias principais de Relações Internacionais, a presente dissertação visa analisar a eficácia da BRI em cumprir o desejo de Pequim ascender à liderança da global governance.

Segundo o paradigma neo-realista, dada a natureza revisionista da ascensão da China num sistema internacional estabelecido sob a influência pervasiva dos E.U.A, argumenta-se que as instituições recém-criadas em apoio da BRI, juntamente com as normas e práticas inovadoras, vêm, em geral, a exercer efeitos de desconcentração e deslegitimação sobre algumas das disposições internacionais centradas no Ocidente, uma etapa necessária antes que os poderes dominantes ascendentes assumam a liderança global. Através do prisma neoliberal, a complementaridade da BRI com compromissos internacionais fomenta o papel da China como um poder responsável, e confere-lhe mais alavanca face a um Washington mais introspectivo. Da perspetiva dos países destinatários, o apoio primariamente oriundo das elites dos Estados relacionados com a BRI tem galvanizado este projeto e alargado a adesão, ao passo que a resistência do grande público ensombra as prospectivas do mesmo, conforme a doutrina realista neoclássica. Conclui-se, assim, que a BRI se apresenta como um instrumento eficaz para Pequim na sua longa busca da liderança na global governance, mas esforços adicionais serão essenciais para ultrapassar os desafios e riscos associados.

Palavras-chave: Global Governance, China, Iniciativa Faixa e Rota, Sistema Internacional, Organizações Internacionais, Liderança.

Glossary

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Nations
BRI	Belt and Road Initiative
CASCF	China-Arab States Cooperation Forum
CCP	Chinese Communist Party
CDB	China Development Bank
CEE	Central and Eastern Europe
CPEC	China-Pakistan Economic Corridor
CREP	Comprehensive Regional Economic Partnership
EAEU	Eurasian Economic Union
EAS	East Asia Summit
EU	European Union
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GG	Global Governance
HST	Hegemonic Stability Theory
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
IO	International Organization
LIDCs	Low-Income Developing Countries
MDB	Multilateral Development Bank
MSR	Maritime Silk Road

NATO	North Atlantic Treaty Organization
NELBEC	New Eurasia Land Bridge Economic Corridor
NGO	Non-Governmental Organization
ODA	Overseas Direct Assistance
ODI	Overseas Direct Investment
PRGF	Poverty Reduction and Growth Facility
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SREB	Silk Road Economic Belt
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WB	World Bank
WTO	World Trade Organization

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Introduction

First proposed in 2013 by President Xi Jinping, the BRI has been rising in importance not merely for China but also for countries covering Asia, Europe and even beyond. The conclusion of the 19th National Congress of the Communist Party of China (CPC) in October 2017 has codified the *Belt and Road Initiative* (BRI) into the Party's Charter, enshrining it as one of the overarching guidelines for China's foreign policy in the years to come. In May 2017 leaders from 29 countries attended the first Belt and Road Forum for International Cooperation in Beijing and the *joint communiqué* codified participating countries' commitment to "build open economy, ensure free and inclusive trade, oppose all forms of protectionism including in the framework of the BRI" (2017). They recognized the role of such initiative as an "impetus for international cooperation", and raised the prospect of "seeking complementarities with other connectivity initiatives" (Ibid).

China has been growing more proactive on the global governance stage, by promoting reform from within the existing international institutions, by forging a security bloc under its sphere of influence, by leading the most salient group of emerging economies, and by establishing various multilateral mechanisms and aligning them with other international regimes. However, China's rise is by no means new, and has been long discussed by pundits and scholars. What is new, nevertheless, is the changing overall environment of global governance and world order wherein China is ascending and the current U.S Administration has been acting in a way, intentionally or otherwise, that corresponds *prima facie* to what characterizes a *declining hegemon* (Gilpin, 1987). Also new is China's increased assertiveness, under the incumbent government, in protecting its national interests, safeguarding the world liberal economy, creating its own sphere of influence without detaching itself from the international regimes in which it was inserted since its opening-up in the last century, and seeking to project power and influence through those regimes to attain leadership (Cooper & Zhang, 2017). In short, China has been "evolving from a passive to more active actor, reflecting both its growing power and confidence" (Shambaugh, 2013: 126).

Such transformation of China's role in global governance can be in part due to its "discomfort with the way the system was configured", although it often acts as a "status-quo, system-supporting power by working through international organizations" (Ibid: 135). As the most prominent foreign policy under President Xi Jinping, the BRI embodies China's own

vision on global governance and helps Beijing to attain the very leadership that it aspires within it.

Research Relevance and Objectives

This research on China and global governance is of academic pertinence in the realm of International Relations. To illustrate, the traditional global governance system designed and developed by the US and its allies lags behind the world redistribution of power. As the world's second largest economy, China's actions and foreign policies will exert more impact on the evolution of global governance in the years to come. The BRI put forward by President Xi Jinping has been accompanied by the establishment of innovative multilateral institutions and novel rules and practices that may embark on altering the pattern of global governance, and has attracted a number of secondary states to cooperate with China on this project. Adding to this complexity is a much more inward-looking White House that is withdrawing from multilateral commitments and products of global governance. Under the Trump Administration, the US chronologically annulled the Trans-Pacific Partnership (TPP), retreated from the Paris Agreement, accused its transatlantic allies of free-riding, and resorted to predatory trade policy. Confronted with the relative decline of the US power *vis-à-vis* the emerging economies with China at its core, "the task of the dominant economic powers is to adjust to this transformation of power relations and to find a new base for international cooperation" (Keohane in Gilpin, 1987: 381).

It is in the context of the ascent of China in both its willingness and capability to pursue larger leadership, coupled with the decay of US hegemony, that a study on Beijing's most important foreign policy and its associated effect on global governance is necessary. Preceding literature has focused on multiple issues related to the topic. Schweller and Pu (2008) discusses the evolving US-China relationship and China's search for hegemony in the present context; Cooper and Zhang (2018) dissects China's approach to engage with international organizations especially after the 2008 global financial crisis; He (2015) presents China's policies on global governance from the perspective of a Chinese diplomat; Shambaugh (2013) analyzes China's trajectory in global governance from comprehensive aspects; Bhattacharya, Romani and Stern (2012) exposes the limitation of the current global governance system in meeting the needs of international infrastructure development; Pantucci

and Lain (2017) investigates the Silk Road Economic Belt (SREB) under the auspices of the BRI; Ikenberry and Lim (2017) studies the Asian Infrastructure Investment Bank (AIIB) and its counter-hegemony prospect; Herrero and Xu (2016) explores the economic benefits of the BRI; Hurley, Morris and Protelance (2018) reveals the the BRI's financial risks; Ferdinand (2016) examines Beijing's discourse under Xi Jinping and its relevance with the BRI; Nordin and Weissmann (2018) assesses the impact of the Trump administration and BRI on the international order; Hallgren and Ghiasy (2017) uncovers China's engagement with BRI-related states on security issues; Le Corre (2018) digs into the Chinese investments in European countries in the framework of the BRI; Eisenman (2018) displays implications of the BRI for the US. Previously, in respect of Chinese studies, Romana (2005) unveiled the core of Beijing's decision-making process and geopolitics facing China; Lyu (2017) exhibited the internationalization of *renminbi* as power for China in the international monetary system.

The existing literature is much concentrated on analyzing the BRI from a policy dimension, investigating its risks and benefits and other implications on a country-to-country basis. This dissertation seeks to fill in the literature gap by systematically discerning the way in which China is pursuing greater leadership in the global governance system under the incumbent presidency. In particular, it assesses from a holistic perspective the role of the BRI in helping China fulfill its ambition. The present thesis has four primary objectives: (1) explain the evolution of China's involvement with global governance and identify the features of the rhetorics and practices that the incumbent Chinese leadership employs; (2) unveil the drivers behind the BRI and illustrate the BRI's linkage to global governance; (3) dissect the effect that the BRI exerts on the traditional global governance pattern; (4) probe the extent of deference from secondary states.

Research Question and Methodology

The research question of this study is presented hereinafter: *Is the BRI an effective instrument for China to pursue leadership of global governance?* A qualitative research based on content analysis will be adopted to systematically uncover the dynamics of the BRI in helping China fulfill its perceived role under the incumbent government of Xi Jinping. By asking whether or not the BRI is effective for China to undertake leadership, this study departs from the assumption that China is yet to be a leader, but that it aspires to become one, echoing structural realist

views. Furthermore, drawing upon what Ikenberry and Lim (2017) terms as *external innovation* as opposed to the traditional governance arrangements dominated by the western countries, the BRI is one of the many institutional mechanisms at China's disposal as a rising state to contest the existing global governance system and to induce systemic change. Thus the present study shall primarily draw upon this classification of *external innovation* that aims at producing *systemic change*, which, in this case, refers to Beijing's assumption of leadership in the global governance system. In order to achieve this, the methodology of process-tracing will be applied so as to reveal the causal process that occurs in-between a cause [...] and an outcome and trace each of its constituent parts empirically" (Beach, 2017: 5).

As King Keohane and Verba (1994: 34) pointed out, "part of the descriptive task is to infer information about unobserved facts from the facts we have observed". In other words, inference constitutes an indispensable part of descriptive studies. While inference requires search for observable phenomena, "we must somehow avoid being overwhelmed by the massive cacophony of potential and actual observations about the world" (Ibid: 46). The effective way to do this is to perform empirical studies based on theories, which may "guide us to the selection of those facts that are implications of the theory" (Ibid). Instead of following the logic of *simple paradigmatic preponderance* whose followers maintain that "the mechanisms they have identified are so powerful as to outweigh the effects of any other forces, whether opposing or reinforcing, the present dissertation shall resort to several theories, given that each one of them has its own interpretative value in explaining international politics (Friedberg, 2005: 40, 41).

Different from the previous literature which explored BRI's impact on specific countries or regions, this study aims to investigate, from a holistic and comprehensive view, the BRI's role in helping China achieve leadership in the global governance system.

To address the term *effectiveness*, two criteria for measurement will be applied. First, it adopts a results-based approach to examine the "results of international organizations, and if their outputs actually have an impact" (Lindoso & Hall, 2016: 9). In other words, this dissertation will address whether the BRI has "delivered concrete changes on the ground" (Ibid: 11). The results-based approach was adopted by the Multilateral Organizations Performance Assessment Network (MOP) evaluations, becoming one of the five dimensions of organiza-

tional effectiveness (Ibid: 9). The United Nations Development Group has underpinned *results* as “changes in a state or condition that derive from a cause-and-effect relationship”, and results can be divided into *outputs*, *outcome* and *impact* (UNDG, 2010: 13). While *outputs* are “products or services that result from the completion of activities”, outcomes are “the intended or achieved short-term and medium-term effects of an intervention’s outputs, responding to national priorities and local needs” (Ibid: 13). *Impacts*, on the other hand, refers to long-term effects of an initiative (Ibid). In this thesis, the understanding of the long-term impact of the BRI is overly complicated, since it is still on an incipient stage. However, outcomes can be observed through a stringent content analysis combined with IR theories, given that the concrete *outputs* from the BRI can lead to *outcomes* that alter the established global governance pattern, which aligns with Beijing’s priorities.

Social science conclusions can only be considered credible if they are “based on theory and data in strong connection with one another and forged by formulating and examining the observable implications of a theory” (King, Keohane & Verba, 1994: 29). Hence, a deep content analysis will be carried out on reports and statistics from several international organizations as well as other multilateral institutions. This aims to discover whether the BRI has already demonstrated competencies that modify the existing global governance pattern.

Second, another dimension premises on the empirical assessment on the *command of stakeholder support*. Keohane (1984) maintains that importance should be attached to explore “why secondary states defer to the leadership of the hegemon” (39). For some, “effectiveness is conceived as the ability of the organization to deliver political outcomes which command the support of member states” (Lindoso & Hall: 2016: 10). Departing from a recipient perspective, secondary states’ acceptance of and deference to the BRI is essential for China to pursue leadership. Another assumption is that the BRI would be an effective means for China to acquire global leadership if it is deferred to by secondary states. Thus, analysis will be conducted on secondary states from a regional dimension, due to the huge number of participating nations. Collection of reports, interview records and speeches of government officials from countries involved is of significance to comprehend to what extent secondary states defer to the BRI and to understand their incentives and concerns.

It should be clarified, furthermore, that at this incipient phase of struggle for leadership, the evaluation of the *effectiveness* shall be understood insofar as it contributes to the alteration of distribution of power and China's prestige, rather than a direct step towards its desired ends. It is also important to note that there are lots of hurdles to acquire the exact detail of the BRI, given that the Chinese government does not regularly and fully disclose its ongoing process. Hence, the data used in this thesis will be drawn both from primary sources, i.e government documents, press release, and secondary sources from reports from NGOs and think-tanks.

Chapter One

Theoretical Framework

1.1. Global governance

Growing economic interdependence among states and deepening of the process of globalization have not only enhanced interconnectedness among different countries but also generated multiple issues out of control by one or two states exercising their conventional sovereign competence. Although globalization surged as a mainstream term and has accelerated as a result of the preponderance of Washington Consensus following the end of Cold War, global governance has its origin far earlier in human history. From the institutionalization of Westphalian system to the 1815 Congress of Vienna, and further to the foundation of various post-war international institutions, being the United Nations (UN) and the Bretton Woods scheme the most notable examples, states have convened to address issues of common interests or conflicting concerns.

Global governance, in its simplest form, can be understood as “collective management of common problems at the international level” (Shambaugh, 2013). In the anarchic context of the international system where there is no central authority above sovereign states, according to Keohane and Nye (2000), the term *governance*, in contrast to *government*, refers to “processes and institutions, both formal and informal, that guide and restrain activities of a group” (12). Another distinction should be drawn with regards to its definition is the difference between “global” and “international”. While the term *international* connotes networks between *nation-states*, which leads to the perception of *international governance* as, primarily but not exclusively, a formal, inter-state, and intergovernmental system, in comparison, *global governance* is characterized by “the decreased salience of states and the increased involvement of non-state actors in norm- and rule-setting processes and compliance monitoring” (Bruhl and Rittberger, 2001: 2). Hence, “most GG perspectives eschew the analytical privileging of nations-states and formal IOs over these other types of actors and processes” (Weiss & Wilkinson in Sterling-Folker, 2014: 530).

The postwar era was followed by an increasingly interconnected and interdependent world economy, coupled with a drastic surge of international institutions and newly-defined norms and rules. Through decades of evolution, the current global governance system in which China ascends demonstrates three distinctive characteristics compared with the world order that other powers ascended in history. First, it is highly institutionalized, with “the

United Nations, the Bretton Woods institutions, the WTO, and a sprawling array of other international organizations and regimes comprise the existing global order” (Ikenberry & Lim, 2017: 5). Nations are inserted into and socialized by an unprecedentedly dense network of international regimes governing a broad range of issues ranging from human security to economic activities. Second, the global governance system in which sovereign states convene to address trans-border issues is “fragmented and specialized, without an effective, broad overview” (Boughton & Bradford, 2007). While the UN Security Council determines actions to events that put the world peace at stake, the IMF governs the functioning of the international monetary system, and the World Health Organization inspects health affairs. To borrow a line from an IMF quarterly magazine, today’s global governance has a “multiplicity of independent actors, both public and private, each pursuing its own objectives and priorities, with its own clientele and constituency, with its own technical language and organizational culture, with its own mandate and specialized focus” (Ibid). Given the fragmentation and specificity of global governance system which result in the co-existence of multilayered rules and institutions with each overseeing a particular issue and being composed by different membership, countries therefore may be presented with more than one single approach to deal with the existing institutions, by acting either from within as a stakeholder, or externally offering “an alternative node of cooperation” (Ikenberry & Lim, 2017: 6-7). That said, states are able to adopt different strategies simultaneously with regards to their interaction with the global governance system in a bid to achieve their national interests. Thirdly, the current global governance system was principally constructed and is dominated by the U.S and its allies, while other underrepresented emerging powers are rising, challenging the *status quo*.

While acknowledging the role of both nation-states and non-state actors in shaping the current global governance scheme, the present thesis, however, shall mainly focus on the *state* and governmental facet. The next section shall present the theoretical justification.

1.2. Global governance and state

Despite the salience of non-state entities, whether multinational corporations or NGOs, “states are, and for the foreseeable future will likely remain, the primary factors in world affairs; and state sovereignty is the bedrock principle for their relations” (Weiss, 2013: 103). Waltz (1999: 697) maintains that states are irreplaceable entities to “perform essential political-socio-eco-

nomic functions”. After all, it is states themselves that launch and execute economic policies and foster institutions “that make internal peace and prosperity possible” (ibid).

Furthermore, that states remain essential in the world order is also a valid point even for adherents of neoliberal school. Keohane (2014) posited that today’s world is the one of “thick networks of interdependence, in which boundaries, and states, nevertheless matter a great deal” (2002: 16). This is what he characterized a *partially globalized world*. For Jennifer Sterling-Folker (2014), “liberalism is itself contingent on the constitutive units that practise and promote it, [...], those units are nation-states, with the distribution of power remaining central to understanding who gets what, and how, in world affairs (553).

In this manner, the scope of actors pertaining to the present study of global governance shall be largely but not exclusively confined to states, after all the BRI is proposed, implemented and supported by the government, with participation of a huge number of state-owned enterprises and backed up by financing mechanisms dominated by the state. To examine the factor of a sheer quantity of non-state actors requires another thorough research.

1.3. Global governance and power

The maintenance of an effective global governance system, for the structural realists, depends largely on the exercise of power, since “without great-power involvement and incentive, collective management would be ineffectual and problems would remain unresolved” (Waltz in Sterling-Folker, 2014: 532).

It should be clarified, in the first place, what power is. The classic interpretation of power was practiced by Dahl (1957) who regarded it as “A’s ability to get B to do what B would not otherwise do”, while he also held that the concept of power should be defined in function of operational criteria that will change its true meaning (202-203). Similarly, Max Weber defined power as the “probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests” (Weber in Gilpin, 1981: 30). As per Dahl (1957), one can analyze the power in terms of the *base* or source of power, the *means* or instrument of power, the *extent* or amount of power, and the *scope* or range of power.

Apart from the different measurements of power, the concept can also be broken down into two categories—hard power and soft power. According to Nye (2002), while hard power encompasses military and economic power that can be exercised through *carrots* and *sticks*, on the other hand, soft power refers to “the ability to set the political agenda in a way that shapes the preferences of others” (112). According to him, soft power *per se* is hardly sufficient, and when exerted jointly with hard power, they can reinforce each other (Ibid). Strange (1987) made a distinction between *relational power* and *structural power*, arguing that states that wield superior structural power tend to be dominant in the international political economy (565). Fareed Zakaria further came up with the concept of *state power*, which is the state’s ability to extract and mobilize its resources in support of its policies, whereas the *national power* comprises states’ material capacities (Rose, 1998). In essence, “*state power* is that portion of national power the government can extract for its purposes and reflects the ease with which central decision makers can achieve their ends” (Zakaria in Rose, 1998: 162). This can be utilized by *neoclassical realists* as an intervening variable to examine the real strength of a state. This concept will be further developed later.

The power adopted for discussion in this thesis focuses mainly on the spectrum of material capacities, which are military, economic, technological capabilities that a state possesses. That said, power of material capacities in this study is to be distinguished from power of influence, given that such definition is centered on the base or *source* from which influence derives from, without predetermine *a priori* political relationship or degrees of influence among actors. In comparison, the term *leadership* which essentially depicts a relationship between actors will be explained in detail in the next section.

According to structural realists, the distribution of power “among coalitions of coalitions (or states)” has a significant implication for the global governance system, since it determines “who governs the international system and whose interests are principally promoted by the functioning of the system” (Gilpin, 1981: 29). Despite that the norms and rules enshrined in the global governance system depend to varying extents on consensus and mutual interest, “the primary foundation of rights and rules is in the power and interests of the dominant groups or states in a social system” (Ibid: 35). Adherents of the *Power Preponderance Theory* argue that the disparity of power among countries is best for the maintenance for the

system, and that “an even distribution of political, economic, and military capabilities between contending groups of states is likely to increase the probability of war” (Organski in Kugler and Organski, 1980: 19). However, the distribution of power among countries is never static, and rather, is always in flux. In a world characterized by the presence of scarce resources, as the “differential growth in power of the various states in the system causes a fundamental redistribution of power in the system” that gives rise to some countries while erodes others, there will appear a *disjuncture* between the pre-existing arrangements of the system and the new pattern of power allocation, given that the evolution of social arrangements lags behind that of power distribution (Gilpin, 1981: 13). It is this disjuncture that “creates challenges for the dominant states and opportunities for the rising states in the system” (Ibid: 186).

While states are preoccupied with their own survival in a self-help anarchic system as perceived by Kenneth Waltz, states also seek to “increase its control over those aspects of the international system that make its basic values and interests more secure” (Waltz, 1979; Gilpin, 1981: 50). In light of this, they may resort to a wide array of strategies in order to shape their external environment, by using economic inducements, military intervention, cultural propaganda, coalition-building, and by acting through institutionalized context within which they project their ideas and promote their values.” When a relative power of state ascends, it “seeks to extend its territorial control, its political influence, and/or its domination of the international economy”, and tends to alter the rules and norms that govern the global governance system as well as the “division of the spheres of influence” (Gilpin, 1981: 106, 187). On the other hand, the declining power, in order to arrest its erosion of preponderance, may attempt to maintain the *status quo* by countering to the “revisionist” powers. As a consequence, the evolution of the global governance system will be subject to the shift of power, and the changing pattern of the system will reflect to a large extent the power constellation among countries.

The aforementioned ideas are considered part of the HST whose followers contend, to borrow the line from Kindleberger (1981), that “for the world economy to be stable, it needs a stabilizer, some country that would undertake to provide a market for distress goods, a steady

if not countercyclical flow of capital, and a rediscount mechanism for providing liquidity when the monetary system is frozen in panic” (247).

Having demonstrated that states are the fundamental, albeit not the only, component in the global governance system and that the distribution of powers (mainly material) has significant implication for the evolution of arrangements that govern the system, the next section will present the idea of (hegemonic) *leadership*, its importance and the way it works in the global governance system.

1.4. Global governance and leadership

In comparison with *power* which was depicted above to rest upon the material capacity, nevertheless, the term *leadership* refers to a political relationship and the degrees of influence over outcomes. Although power can be turned into leadership, nevertheless, “it is not a *conditio sine qua non*, (and) power does not equal leadership” (Lukes in Nabers, 2010: 53).

While leadership in political sciences refers to a situation in which “persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers”, however, in IR theories, it is often associated with hegemony (Burns in Nabers, 2010). To illustrate the connection between hegemony and leadership, Nabers (2010) conceptualized hegemony as a “discursive political struggle between political actors over the assertion of their particular representation of the world as having a universal significance”, and argues that “hegemony is indispensable for the exercise of leadership, for it circumscribes the domain of intelligibility in which leadership processes occur” (60). Charles Kindleberger, one of the HST’s representatives who favored the term leadership over hegemony, referred to a hegemonic leadership as a context in which the leader, or *hegemon*, is capable of “persuading others to follow a given course of action which might not be in the follower’s short-run interests if it were truly independent” (1981: 243). According to Keohane and Nye (1977), hegemony is a circumstance under which “one state is powerful enough to maintain the essential rules governing interstate relations, and willing to do so” (44). In essence, leadership and hegemony are indivisible in the sense that a state can only exercise leadership if it has the ability to set political agenda, so to speak, to “hegemonize” the political space with its own vision, to which others will defer. In the case of China, as will be discussed in

detail below, despite that it constantly proclaims against hegemony, nevertheless, its rising trajectory and its recent ambition for the role of leadership in global governance under Xi Jinping administration are viewed skeptically by other countries and are alleged to reflect its hegemonic aspiration. In this dissertation, leadership and hegemony shall be used interchangeably due to their integrality.

Scholars diverge on the conditions for a state to become a hegemon. The control over four sets of resources, namely raw materials, sources of capital, markets and competitive advantages in the production of highly valued goods, are considered by Keohane (1984) as prerequisites for hegemonic leadership, whereas the four dimensions of *structural power* put forward by Strange (1987) are essentials. It is beyond the scope of the present study to verify those conditions. However, this thesis maintains that the relative rise of states' material power is one of the preconditions for states to pursue expanded role in international system, whereas other factors such as domestic political and economic circumstances as well as elite perception also co-shape states' decision as to whether or not they attempt hegemony.

This study also posits that institutions are as important for a hegemonic leader as the latter is for the former. To put it another way, leadership could not be established if it were detached from an institutionalized context, since it ultimately “rests on continuity, stability and repetition” of the system under its sphere of influence (Nabers, 2010: 56). In order to better illustrate it in a globalized context, from the HST perspective, the effectual functioning of global governance system necessitates hegemonic leadership, and hegemons need institutions to exercise leadership as well. On one hand, the global governance system could be regarded as “various types of jazz ensembles [...] that need a hegemon in the form of a conductor” (Florini, 2011: 28). As Gilpin (1987) affirmed, “the creation, maintenance, and successful functioning of a liberal international economy require the exercise of political leadership” (364). On the other hand, in such a system, the hegemon can “use its power to provide order and predictability to the world, [...], provide public goods and can establish global rules and norms, and enforce these by providing selective political economic incentives to those who follow them and coercing those who do not” (Ripsman, Taliaferro & Lobell, 2016: 147). The US by devising NATO has extended security protection to its allies, by institutionalizing the Bretton Woods System has provided currency stability and sources of funds

to developing countries, by establishing the GATT has regulated trade relations between countries, and by promoting ideologies such as liberalism and democracy has further legitimized and strengthened its role as a leader.

Several points merit clarification so far. Firstly, it should be noted that a state chooses to undertake the leadership of global governance not out of its altruistic or cosmopolitan vision, but instead because, as rational egoist (which is agreed upon both by structural realists and neoliberalists), it is in its very self-interests to assume the leadership so that it can benefit disproportionately from the system that embodies its values. Secondly, hegemonic leadership, in spite of the possibility of degenerating into exploitation, has to be distinguished from *domination* which is a situation where the dominated “has to take account of what the (dominant) entity did”, while the dominant can equally ignore the dominated (Perrous in Kindleberger, 1981: 243). In contrast to an imperial power, the hegemon “cannot make and enforce rules without a certain degree of consent from other sovereign states”, and so we should eschew the “simplistic notions of hegemony as either complete dominance or selfless, dedicated leadership (Keohane, 1984: 46, 138). Hence, another facet of power is needed by the hegemon so as to “generate shared beliefs in the acceptability or legitimacy of a particular international order” (Ikenberry, 1990: 289). In this sense, the hegemonic leader should “invest resources in institutions in order to ensure that its preferred rules will guide the behavior of other countries” (Keohane, 1984: 46).

Insights from both schools also diverge regarding what implication the erosion of hegemony provides for the world order. Representatives of the *Hegemonic Stability Theory* tend to argue pessimistically that the changing cycle of international system is “completed in that hegemonic war and the peace settlement create a new status quo and equilibrium” (Gilpin, 1981: 15). George Modelski maintains that the power preponderance endowed upon a hegemon may ultimately attract rivalries which lead the system to what he described as “oligopolistic rivalry” in which “a number of major powers strive to maximize their (usually short-run) advantages and long-term considerations of world interests become increasingly secondary”, and that the rise and decline of world powers correspond to the “*Long Cycle of Global Politics*” (1978: 28). In contrast, liberalists envision that large-scale wars are less likely to occur due to the deterrent role of nuclear weapons and the increased

economic interdependence between nations, because the benefit of peace is large while the cost of war is huge. Rather, “as hegemony erodes, the demand for international regimes may even increase”, since cooperation might be more likely to occur thanks to multilateral’s role in reducing transaction costs and facilitating agreement (Keohane, 1984: 244).

As stated above, the changing pattern of distribution of power in the international system, in which a rising state poses revisionist challenges to the existing arrangements of global governance established by the *status quo* hegemon, may result in the transformation of the system itself. It is worthwhile to make a clear distinction between different types of international change: system change, systemic change and interaction change. Coined by Gilpin (1981), a *system change* is to be understood as “a major change in the character of the international system itself”, so to speak, a change in the “nature of the principal actors or diverse entities composing the system” (41). In comparison, a *systemic change* “entails changes in the international distribution of power, the hierarchy of prestige, and the rules and rights embodies in the system” (Ibid: 42). He further explained that “the essence of systemic change involves the replacement of a declining dominant power by a rising dominant power” (Ibid: 43). Lastly, *interaction changes* are “modifications in the political, economic, and other interactions or processes among the actors in an international system” (Ibid). In this study, China’s pursuit for leadership in the global governance falls under the category of *systemic change* which a rising power attempts.

Ascending within an established global governance system is revisionist, as underpinned by Schweller and Pu (2008), and *de-legitimation* and *de-concentration* marks the phase prior to the breakout of military contingencies. It is argued that before a revisionist power attempts to confront the dominant power, it needs firstly to “delegitimize the hegemon’s global authority and order” and that “de-legitimation provides the rationale (embodied in a discourse of resistance) for internal and external balancing practices” (Ibid: 44, 47). It also needs to de-concentrate the existing hegemony so that power becomes more diffuse. As they posit, both should occur together and reinforce each other, given that de-legitimation entails the will and de-concentration refers to the ability. By means of projecting and promoting one’s ideology so as to render the predominant rules and norms illegitimate, and through coalition-building in order to disperse power, challengers under a hegemony,

albeit declining, may thus gather support from others and form a coalition of resistance. According to the authors, China's actions have engendered such a phase of de-legitimation and de-concentration.

From an institutional liberal perspective, Ikenberry and Lim (2017: 7-8) claims that there is a spectrum of institutional choices facing a rising China. Due to the fragmented and multilayered nature of global governance system, China can choose to act as a "status-quo stakeholder", an "authority-seeking stakeholder", and/or it can also choose to perform "institutional obstruction", or even resort to "external innovation". At the end of the spectrum of choice is "outright opposition to or non-participation in existing institutional arrangements" (Ibid). It is thereby perceived that the dynamics of Belt and Road Initiative, a China-proposed and China-led scheme, falls under the category of *external innovation* pursuant to this classification. Although China seeks to align this initiative with some existing institutions, it is still a mechanism created and dominated by Chinese government. Hence, the present study will not engage with discussion of China's other institutional choices to attempt leadership in the global governance system, but rather center on this external creation. Table 1 in the Appendix better illustrates the viewpoints presented by the authors.

Notwithstanding the fact that the present paper is in line with the view that global governance system is better maintained and more stable under a hegemonic leadership and that leadership necessitates institutional context, nonetheless, it should be noted that the growth of material capacity of a state is not sufficient to explain its pursuit for a more proactive role. "A given configuration of power will not lead to a potential hegemony. Instead, it depends upon the domestic characteristics of that country" (Keohane, 1984: 35). In the next section, more should be explained with the introduction of the *Neoclassical Realism*.

1.5. "Bring the State Back In"

To dissect the ambition and foreign policy of a state needs not only an assessment on its status in the international structure, but also a contemplation to its domestic circumstances. Based on the doctrine of Structural Realism and coupled with that of *Innenpolitik*, *neoclassical realists* presents a refined vision to discern international politics, avoiding the determinism of the so-called "external systemic stimuli" in defining a country's foreign policy. According to theorists of this school, they agree with structural realists insofar as "states construct their foreign

security policies primarily with an eye to the threats and opportunities that arise in the international system” (Ripsman, Taliaferro & Lobell, 2016: 19). In addition to that, they posit that internal circumstances also play an indispensable role in determining external orientation, and those circumstances are attributed to elite perception, *state power*, as well as the “domestic coalition of interests”.

Elite perception is of particular significance, because the distribution of power as well as a state’s position within the hierarchy of prestige in the world need to be interpreted through the lens of human’s cognition which is more often than not subject to the scarcity of information (Rose, 1984). This is to say the way how national leaders actually understand the external environment in which their countries are inserted is important to shape the foreign policy.

Secondly, the state capacity to extract domestic resources in support of its foreign strategies, which is conceptualized by Fareed Zakaria as *state power*. Since states differ in their abilities to extract national resources to implement their foreign policies, due to domestic constraints, whether from the legislature or general public, they also respond differently to systemic imperatives (Ripsman, Taliaferro & Lobell, 2016: 19). That said, the constituency’s opinion also weighs, in the long run, for the conduct of countries’ foreign policy.

Mainly based on all the aforementioned IR theories, the present study attempts to combine the valuable portions from each of them in order to discern the BRI’s effectiveness in China’s pursuit of leadership within the global governance system.

Chapter Two

Belt and Road Initiative and Global Governance

2.1. Dynamics prior to the Belt and Road Initiative

The BRI was put forward at the time when the distribution of power in the international system is undergoing significant transformation with the the rise of emerging countries and the relative decline of the US and its allies. The transformation of the international system in turn shapes Chinese leadership's perception towards global governance. Since Xi Jinping was elected as the CCP Secretary-General in 2012, both the country's narratives and practice with regard to global governance have incrementally evolved. The evolution of rhetorical discourse, transmitted through strong state propaganda and leaders speeches home and abroad, paves the way for China's increasingly pragmatic and assertive approach in the international arena. The pragmatism of Beijing's foreign policy on global governance, characterized by its *dualistic approach* in the post-financial crisis era, aims to enhance China's international status or *prestige* commensurate with its growing economic capacity. By and large, various dynamics, structural or domestic, ideological or political and economic, contribute altogether to the emergence of this ambitious project.

2.1.1. Ideological Transformation - From *Low Profile* to the *China Dream*

The inaugural of *Xi Jinping* renewed the CCP's discourse with regard to foreign strategies. Although consistent with the previous notions such as "peaceful development" in that Beijing still strictly sticks to maintenance of world peace, more ambitious rhetoric coupled with nationalist language was seen, with two of his most prominent values being the *Chinese Dream* and the *community of shared destiny for mankind*. These two ideals serve in the party's interests to "legitimize the party's continuing role through appeals to historical continuity and achievement", and more significantly, to establish a logical linkage between the world and China, laying rhetorical foundation for it to assume greater leadership within the global governance system.

First seen in 2012, the *China Dream* has been guiding China's foreign policy from "risk-averse caution to optimistic 'dreaming' about a better world in which China will have recovered its rightful place" (Ferdinand, 2016: 955). The motive behind this proposition is generally coherent with his predecessors' ideals, drawing upon China's historic humiliation and expressing the very desire to reinvigorate China to realize its *two goals of one hundred years*. To borrow a term coined by Callahan (2015), such doctrine embodies a "nostalgic

futurology”. In 2017, the *China Dream* was officially codified into the Charter of the CCP, enshrining it as the overarching national doctrine.

The incumbent Chinese leadership has laid high emphasis on global governance. In October 2015, the CCP Politburo convened to study the global governance pattern and system, in which Xi Jinping underpinned that Beijing “should not only see its requirement of the world for the sake of its development, but also pay attention to the expectation on it from the world”, and also stressed the need to “push the reform of the unjust and unreasonable arrangements in global governance system” and to “increase the representation and voice of the emerging and developing countries” (Xi, 2015). When reflected in the domain of global governance, the *China Dream*, on the other hand, contains an ideal in contrast to the norms that the West has been promoting for decades. According to He Yafei (2015), Chinese former Deputy Minister of Foreign Affairs, “China has been trying to shape global governance in her own ideas and concept” (67).

Yafei (Ibid) exhibited the rooted divergence between Chinese concept and the Western one in respect of global governance, contending that “China Dream and global governance concept are similar in aiming at improving status quo of China and international society under economic globalization, but they differ in final objectives and points of departure if global governance is defined in western countries” (68). The requirement for “consensus on establishing a uniformed global institutional structure” and the imposition of additional standards that interfere with countries’ internal matters, such as labor, environment and humanitarian issues, are barriers embedded in the Western global governance system for China to realize its Dream (Ibid: 70). Albeit Beijing’s huge accomplishments achieved within the system, it grows dissatisfied with the norms and rules designed by the hegemonic powers trying to arrest their relative decline. In view of that, Chinese leaders have constantly depicted that the West is still pursuing a “cold-war mentality” and playing a “zero-sum game”, aiming to secure their own interests in detriment of the others’. As a result, Beijing portrays its own dream as compatible with the dream of Asia, and then of the Asia-Pacific (which Xi Jinping mentioned in Beijing in 2014 amid the APEC meeting), and furthermore, the world dream. According to William Callahan, “the argument is that what is good for China is by definition good for the world, and vice versa” (2015: 18).

By connecting the China Dream and the World Dream together, China provides another vision of global governance which lies upon the principle of “wide consultation, joint contribution and shared benefits”, and stresses the cruciality of “respecting the rights of people of all countries to choose their development path”, thereby presenting an “open, equal and mutually beneficial alternative to an American-led world order that is by contrast portrayed as exclusionary, unequal and power-grabbing” (Su, 2017; Nordin & Weissmann, 2018: 245). Above all, nonetheless, scholars have also understood that the “China dream is not just about the equal validity of ‘models’ or ‘dreams’ of various civilizations in the world”, but that “it also reflects the conviction that the Chinese one was superior” (Ferdinand, 2016: 948). The Sino-centric dream places itself at the core of world dream, fostering nationalistic sentiment domestically on the one hand that strengthens the belief that only CCP is in the rightful position to rule China, and rhetorically portraying itself as the leader of global governance reform on the other. Domestic audience view “global leadership as a ‘crown’ that is passed from one world capital to another”, and many of them posit that China “will have to assume global political leadership soon after it becomes the largest economy in the world” (Callahan, 2015: 11).

More specifically, another important facet of the China Dream rests upon its self-identification with the developing world in terms of “similar history, identical value system and development model” (He, 2015: 171). China conceives its development path as a successful example for developing countries with common struggle against colonialism and imperialism. Hence, it sympathizes with developing countries on their development model and constantly aligns the China Dream with dreams of others *vis-à-vis* declining predominance of US-centric hegemonism.

In addition to the *China Dream*, Xi Jinping has also developed a broad vision of *community of shared destiny for mankind* which is also the rhetoric on global governance behind the BRI. This notion demonstrates that, as countries are increasingly interdependent, interconnected and intertwined due to the deepened process of globalization as well as multi-polarization, their destiny are bound together as a result. In his keynote address, entitled “Work Together to Build a Community of Shared Future for Mankind” at the UN Office in Geneva in January 2017, Xi Jinping outlined China’s overarching commitments in order to construct this *community*, which are the maintenance of world peace, the pursuit for common

development, the fostering of partnerships, and the determination with multilateralism (Xi, 2017). From another perspective, the attempt to build up such *community*, in turn, requires responsibility from China's part, and more importantly, the willingness to contribute to the provision of public goods. In this regards, Xi Jinping mentioned that "we (China) will continue to pursue a win-win strategy of opening-up, share our development opportunities with other countries and welcome them aboard the fast train of China's development".

Such discourse is of significant implication particularly under the ongoing circumstances of nationalist populism, anti-globalization sentiment and trade protectionism in the West, and the diminishing conviction from the US to uphold international liberalism and multilateralism (Wu, 2017). China's high rhetoric of both the *China Dream* and the *common destiny*, embodying its own ideology of openness, inclusiveness, balance and mutual benefits, at this crucial time of transformation of global governance, not only reflects the evolution of its narratives and imaginaries from a risk-averse strategy in the pre-Xi Jinping Era to a more proactive and Sino-centric approach under his leadership, but also provides the global governance with an alternative thought and model that may attract whoever find it attractive to its own sphere of influence, which would pave the way for it to take the lead in the global governance system.

2.1.2. Transformation of practice - from *opposition* to a "dualistic approach"

As one pundit has pointed out, China still lacks "a clear, coherent and unified [...] approach to international relations and the world order", and thus its "foreign policy objectives need to be assessed through its actions rather than through any expression of doctrine" (Breslin in Ferdinand, 2016: 942). This comment refers to the very question of what China actually did with regard to global governance over the years, and what is the difference between its practice under the previous and the present governments.

Since the foundation of the PRC until the 1970s, due to the West's refusal to recognize the PRC's status, economic isolation and military threats, China was compelled to "adopt a development path totally distinct, in terms of economy, politics, culture and ideology, to that of the bloc of Western countries" (Liu, 2015). The economic sanctions imposed on China obliged it to develop its domestic economy on its own, and under the underpinning principle of "leaning to one side", "China criticized the GATT, the World Bank and the IMF as

instruments of the imperialists” (Ibid). In such a restrictive external environment, China’s opposition to global governance institutions exposed its realistic concern over its own security, and the fear of the consequences of a Hobbesian world shaped its hostile approach.

From the 1970s onwards, China gradually became aware of the necessity to join the international system, in particular against the backdrop of its escalating relations with the Soviet Union as well as the recognition of the PRC as the legitimate government in the United Nations at the beginning of the 1970s. During this period, the importance of ideology for the foreign policy-making and the focus on international revolution were diminishing, and instead, the “de-ideologization” became the trend. Generally, until the breakout of the global financial crisis (GFC) in 2008, China has resorted to a “more selective and activist position in international institutions” (Shambaugh, 2013: 125).

China has made prominent achievements in both economic and social terms since joining the WTO. According to a report in 2011, China elevated itself to become the second largest economy in GDP terms, the first largest merchandise exporter, and the second largest merchandise importer (Permanent Mission of China to the WTO, 2011). China’s rise has made itself “a global economic powerhouse” and “trading superstate” (Shambaugh, 2013: 156). Nevertheless, China’s membership in the WTO simultaneously points to *conditionality*, meaning that reform needed to be enacted accordingly in turn, and unique clauses were codified into China’s Accession Protocol that specified punitive actions against China should it fail to abide by its commitments. By 2011, China has “amended and repealed more than 3000 pieces of laws, administrative regulations and departmental rules” aiming at economic reform (Ibid). By involving China into multilateral network where it could socialize itself with other actors, accept western mainstream norms and principles, and internalize them through domestic reform, they may incorporate Beijing into their own sphere of influence and eventually render its actions more predictable.

The present paper echoes the stance of Shambaugh to the extent that the post-GFC era witnesses China’s “moderately revisionist posture [...] that seeks to selectively alter rules, actors and the balance of influence’ largely from within existing institutions—while simultaneously trying to establish alternative institutions and norms of global governance and redistribute power and resources within the international system” (Ibid: 125). This approach can be further summarized to what Cooper and Zhang (2018) coined as the “dualistic

strategy”. According to the authors, the GFC has elevated the importance of various informal arrangements (i.e. G20, BRICS) that “were not designed to be universally oriented with an ever expanding membership”, and China, now identifying itself both as a *major power* and a developing country, feels the necessity to concomitantly act as a “core insider at the apex of level of global politics” through the G20, and an outsider through mechanisms like BRICS and the BRI which allow it to “claim solidarity with other key members of the global South as well as to project new forms of non-western leadership” (Ibid: 43, 47). After the GFC, Beijing’s attitude towards the “western-dominated informal bodies” gradually loosened and began to engage strategically with those entities, and deems them as “operational means of conducting bilateral or plurilateral relations” (Ibid: 39). Parallely, China’s participation in international groupings of non-West character “creates and persists with the BRICS and other non-west oriented initiatives, with an increased projection of autonomous leadership capabilities” (Ibid: 44). The perceived incompatibility of self-identity as a major power and developing country makes China uncomfortable when acting through formal institutions like the UN, due to its UNSC status, and the WTO, in which “its position remains in ambiguous fashion between its legal status as a developing country and its own preference to be termed a ‘large developing trading nation’”(Ibid: 31). This pragmatic dualistic approach again owes to the changing pattern of the global governance where, unlike under the bipolar system, it does not have to struggle between different political groupings with distinct nature and functions. The BRI in this dissertation is thereby considered to be part of this pragmatic dualistic approach as well.

After examining China’s trajectory in global governance, we see that China is on the rhetorical course from maintaining a *low profile* in the international affairs to realizing an ambitious *China Dream* and the *community of shared destiny for mankind* as the “attempted discursive construction of a Sino-centric order”, and that its practice on global governance shifted from opposition to strategic dualistic exercise. It was against this transformative backdrop that the BRI was proposed.

2.2. What is the Belt and Road Initiative?

The BRI is essentially a denomination for two strategic concepts under Xi Jinping, namely the Silk Road Economic Belt (SREB) and the 21st-Century Maritime Silk Road (MSR). The

SREB was proposed in Astana in September 2013, while the MSR was launched in Jakarta in October 2013. “Together they create what was initially called the OBOR initiative but has now been renamed the BRI, a connectivity project involving 65 countries, representing the personal stamp that Xi has placed on China’s foreign policy” (Pantucci & Lain, 2017: 10). Envisioned to cover a geographical landmass for 4.4 billion people accounting for 70% of global population, the BRI may have “a lasting and significant impact” (European Parliament, 2016: 4). By December 2017, as many as 1,713 projects have been launched within the scheme of the BRI with the participation of around 50 state-owned enterprises (Xinhua, 2017).

Under the principle of “peace and cooperation, openness and inclusiveness, mutual learning and mutual benefits”, and following of five major goals of “policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds”, the BRI has attracted attention from a great number of nations, and by the end of 2016, “approximately 100 countries have endorsed to co-build the BRI and voiced their willingness of participation” (Steering Group for the BRI, 2017). Furthermore, by the same time, “China has signed 46 cooperation agreements of constructing the BRI with 39 countries and international organizations”, encompassing connectivity, trade and investment, finance, ocean, and so forth (Ibid). On 17 March 2017, the UN Security Council unanimously approved the Resolution No. 2344 in which it “welcomes and urges further efforts to strengthen the process of regional economic cooperation, including measures to facilitate regional connectivity, trade and transit, including through regional development initiatives such as the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (the Belt and Road) Initiative” (UNSC, 2017: 9).

Meanwhile, “a striking feature of the project is that the BRI has since become a catch-all term for Chinese investment in connectivity” (Pantucci & Lain, 2017: 10). Reflecting on China’s engagement with the West in the ancient epoch, the two components of the BRI aim to reconstruct the connectivity between Asia, Europe and Africa. The first component, so to speak, the SREB, is a grand project containing six land economic corridors (see Figure 1). If completed, these economic corridors will “not only bind together the vigorous East Asia Economic Circle and the developed European Economic Circle, [...], but also project the economic effect to South Asia, Southeast Asia, the Indian Ocean, and the South Pacific,

etc” (Steering Group, 2017). Another component is the 21st-Century Maritime Silk Road (MSR). It has an equally strategic significance for China, owing that maritime transport is still fundamental in terms of volumes of transport (Klemensits, 2017). The MSR contains two major routes (see Figure 2). Land routes and sea routes are deemed inseparable and are envisaged to align, complement with and reinforce each other. For example, the Piraeus Port in Greece acquired and controlled by the Chinese COSCO Shipping company is planned to connect to the Belgrade-Budapest Railway (still under construction), thus realizing what the Chinese government calls the “China-Europe Land-Sea Express Line” which links the Asian goods arriving in the Mediterranean by sea to the heart of Central Europe by land. Also, another possible alignment be linking the sea route in the Indian Ocean with the land routes under the CPEC and the BCIMEC, reducing China’s over-dependence on Malacca Strait as a connecting of its energy and merchandises.

A massive project as such requires an institutionalized framework, both on the national and international level. At the beginning of 2015, a Steering Group for the BRI (hereinafter referred to as the Steering Group) was established on the central level, with the Vice Premier as the head of the group. The General Office of the Steering Group was subsumed to the National Development and Reform Commission (NDRC) in charge of the coordination of routine among different authorities. On provincial and local levels, steering groups were also established to secure the implementation of this national strategy on the micro-layer and to explore the regional potential in participating in and contributing to the realization of the BRI. In March 2015, three Chinese departments of ministerial level—the NDRC, the Ministry of Foreign Affairs (MOFA) and the Ministry of Commerce (MOFCOM)—jointly issued the *Vision and Actions*, outlining the objectives, principles and focuses for the BRI. In May 2017, the Steering Group issued a report titled “Building the BRI: Concept, Practice and China’s Contribution”, summarizing the accomplishments reached ever since the launch of the BRI. Financially, in September 2014, the \$40-billion Silk Road Fund was created, “using money from the Chinese State Administration of Foreign Exchange, the Export and Import Bank, the China Development Bank (CDB) and the China Investment Corporation (CIC)” (Pantucci & Lain, 2017: 62). This Fund is dedicated to financing the BRI projects, and in April 2015, it “pledged its first investment of \$1.6 billion” (Ibid). Bilaterally, China has signed cooperation agreements and memoranda on the BRI with participating

countries and international organizations, and is negotiating on Free Trade Agreements (FTAs) with countries like Sri Lanka, Israel, Bangladesh, etc. It has also reached currency swap agreements with 22 countries and regions along the BRI, totaling RMB982.2 billion (Steering Group, 2017). Multilaterally, the AIIB was put into operation in 2016, with “a registered capital of \$100 billion” (Pantucci & Lain, 2017: 58). China has contributed approximately \$29.8 billion to the bank and owns 31.02% stake (AIIB). Non-regional members of the AIIB include the U.K, France, Egypt, Ethiopia and so forth, accounting for around 23.20% stake in the bank. Also, FTAs with economies along the BRI are also underlined, especially in the framework of ASEAN 10+1 and the Regional Comprehensive Economic Partnership (RCEP). Furthermore, China also makes use of other multilateral forums to promote its interests of the BRI. The Ufa Declaration as a result of the 2015 Shanghai Cooperation Organization (SCO) Summit Ufa Summit raised support for the Silk Road Economic Belt. The evolution of the SCO over the years has reaped a mature forum for interstate dialogue, thus providing a good platform for China to address issues related to the BRI. It is also strategically crucial because the BRI is likely to be aligned with regional initiatives proposed by other countries, i.e. with the Eurasian Economic Union (EAEU) (Kong, 2018). Agreements on cooperation in other fields, such as healthcare, disaster relief, and tourism were also signed in the BRI framework. Think-tanks specialized on the BRI studies have been created to foster research and communication. The apex of the multilateral dialogue of the BRI could be attributed to the BRI Forum for International Cooperation held in Beijing from 14 to 16 May, convening “around 1500 delegates from over 130 countries and more than 70 international organizations, including 29 heads of states and governments” (Xinhua, 2017).

It is no denying that China is currently adopting bilateral and multilateral approaches to promote this comprehensive project through an institutional context, and the impact of this all-encompassing initiative, if successful, could not be overlooked. However, unlike other multilateral initiatives, there has not been instituted a permanent secretariat comprised of staff from the BRI participating countries, and the coordinating work mainly remains in the hands of the General Office of the Steering Group, as well as the NDRC, the MFA, and the MOFCOM.

2.3. Dynamics behind the Belt and Road Initiative

Similar to any country's national strategy, there are sophisticated factors, both exogenous and endogenous, that compel China's leadership to put forward the BRI. The complexity of those factors can be attributed to the “diversidade das abordagens, das características, modalidades, atitudes e comportamentos relacionais entre estados de matrizes histórico-culturais e socioeconómicas diferentes, bem como de enquadramento geoestratégico, de estrutura política interna e de capacidade de projeção de poder no plano externo muito diferenciadas” (Dos Santos, 2012). This section seeks to present those main driving factors behind the BRI, external and internal, which had already existed prior to 2013.

2.3.1. Structural imperatives

Pursuant to the *neorealist* paradigm, “the structure or architecture of the international system” entails the necessity for states to pursue power which “is a means to an end and the ultimate end is survival” (Mearsheimer, 2013: 52). The structural imperatives in this section will be illustrated from both *geostrategic* and *global governance* dimensions.

The external geostrategic and geopolitical environment that China was faced with before the launch of the BRI was a *milieu* of *great power politics* in which the Obama Administration shifted Washington's foreign priority to Asia-Pacific and the maritime disputes between Beijing and Southeast Asian states heightened regional tension. Moreover, NATO's military activities in Central Asia as well as the unrest in some Central Asian states caused by pro-democratic movements have made Beijing wary of the overwhelming Western encroachment in its immediate backyard (Stronski, 2018).

Above all, the comprehensive rebalancing strategies taken by the US *vis-à-vis* China constitute to a large extent an increasingly restrictive external environment for Beijing, and Washington's motives behind such balancing practices point to contain and check China's influence. Militarily, the US enhanced its regional security presence and visibility by deploying military resources and personnel in its allies surrounding China, and carried out Free Navigation Operations with claimant countries that are involved in maritime disputes with Beijing (Manyin *et al*, 2012). Diplomatically, it sought pragmatic multilateral participation to shape the regional integration, i.e. in the framework of ASEAN Regional Forum (ARF) and the East Asia Summit (EAS), out of the concern that other countries' integration initiatives

might exclude and distance the US. Economically, it attempted to institutionalize the Trans-Pacific Partnership (TPP), partially due to worries that the US “could be left out of an emerging, highly-integrated and rapidly growing Asian economy” (Ibid: 21). The US-China struggle for leadership in East Asia appeared to Wang Jisi (2012), a Chinese scholar who first proposed the idea of “Marching West” in 2012 prior to the launch of the BRI, as a *zero-sum game*. He posits that by diverting China’s attention to its neighboring countries to the West where a regional order is yet to be established might discover more potential for bilateral and multilateral cooperation between Beijing and other actors, including the US (Ibid). The land-locked Central Asia has long been the backwater of foreign strategies for powers, albeit US transient interests in supporting its transcontinental warfare in Afghanistan (Lynn, 2012). The lack of conflicting interests between China and other great powers in this vast landmass, contrary to the strained situation in Asia-Pacific, manifests more of a permissive structure. In this fashion, the restrictive environment to Beijing’s East and the relatively permissive circumstance to its West are understood to be imperative for China’s leadership to refurbish its foreign strategy. Other geostrategic considerations include the diversification of Beijing’s trade and energy routes that currently still much rely on the maritime passage with political risks and within US sphere of influence.

Nevertheless, the initial proposition of “Marching West” does not downplay the importance of reinforcing China’s influence in East Asia and Southeast Asia, evidenced by the fact that the 21st Century Maritime Silk Road is part of a broader BRI. Goh (2014) follows that by alluring Southeast Eastern states to China’s developmental orbit and by inducing them economically, Beijing can effectively mitigate the regional political tension.

Structural imperative can also be examined from the global governance dimension. China was incipiently absent from the design and development of the current global governance architecture. In spite of its rapid economic growth, China has been subject to the predominant influence from the US and other traditional powers in global governance regimes, such as the IMF and the WB, and has voiced that the emerging economies and developing countries were underrepresented in international arrangements. Despite that the IMF Board of Governors approved in 2010 the Quota and Governance Reforms that aimed to further empower developing countries, nonetheless, the US Congress did not authorize such move until 2015 (The IMF Press Release, 2015). In his speech at the joint study session of the

CCP Politburo on global governance in 2016, Xi Jinping highlighted that “global governance structure depends on the international balance of power and reforms hinge on a change in the balance” (Xinhua, 2016). He further stressed the necessity to voice up for the developing countries and to enhance cooperation with them, through various platforms, including the BRI. Beijing’s desire for a more favorable external condition in the global governance architecture in which it felt underrepresented as well as its eagerness for a higher *prestige* propelled the country to create multilateral initiatives beyond the US’s clout, to foster partnership with other states and to acquire clientele, thus aggregating power to shape terms and condition in its favor on the global governance level.

2.3.2. Domestic circumstances

Consolidation of party-state rule

“Convincing Chinese citizens that only the CCP has the will, strength and ability that are necessary to deliver improved living standards for the Chinese people and a territorially unified and culturally great Chinese nation” is first and foremost fundamental for the longevity of the CCP’s rule. (Nordin & Weissmann, 2018: 247). In the face of various contemporary challenges that are likely to jeopardize the stability of the party-state, and due to the compulsion for China to realize one of its two centennial goals, which is to “finish building a moderately prosperous society (*xiao kang she hui*) in all respects” by 2021, the 100-anniversary of the foundation of the CCP, a comprehensive strategy is in pertinent need to address those challenges and to secure the party’s power.

Ideationally, the BRI’s combination of nostalgia and futurology, summarized by Callahan (2015), creates a cultural bond amid its domestic audience and enhances the domestic social recognition. Rhetorically, China’s opposition to the Western-style liberal democracy that results in self-harm, and its self-positioning as the impetus and another alternative model for international development by means of endeavoring for a “more stable, open and mutually beneficial international development that these western systems are perceived to offer”, may eventually tighten its grasp of the state through “increased legitimacy or consent in the eyes of the domestic Chinese audience” (Ibid). Economically, “the economic transition from a growth model driven mainly by exports and foreign direct investment (FDI) to one led by domestic consumption, innovative industries and services” which has provoked

economic overcapacity and economic slowdown, poses severe realistic challenge to the credibility of governance (European Parliament, 2016: 9). The role that the BRI plays to achieve “China’s ‘return’ to the center of the global state” as well as the nationalistic Sino-centric discourse of “China Dream” serve in the CCP’s very interests to consolidate its domination (Sussex & Clarke, 2017: 2). As the BRI was codified into the CCP’s Charter in November 2017 and as the limit of presidential tenure was annulled from the constitution in 2018, the successful implementation of this project would largely solidify the population’s confidence in the party, while the opposite would undermine its reputation.

Inequality of regional development

China’s socio-economic boom has brought huge benefits to regions along the east coastline, whereas the West remains relatively underdeveloped, even with abundant natural endowment of coal, gas and oil reserves (around 20% of the national total of oil, and two fifths of the national coal reserves) (Pantucci & Lain, 2017: 18). Previous studies show that “the coastal mega-metropolis of Shanghai is five times wealthier than the inland province of Gansu, which is part of the old Silk Road” (Cai, 2017: 6). In fact, China launched the *Western Development Strategy* as early as 1999 by conferring “preferential policies, large-scale fiscal injections and state-directed investments” to its West, only to have yielded insignificant results, because “heavy state subsidies in these western provinces has been a high concentration of state-owned enterprises and low penetration of private firms” (Ibid).

The fact that “such disparity has played out against an already tense ethnic balance and led to instability and violence against Chinese citizens and the state” brings back the very central concern of the CCP’s capability of ruling the entirety of the country (Pantucci & Lain, 2017: 17). Xinjiang is home to an enormous turkic-speaking Muslim community that has been increasingly resentful against the growing quantity of Han Chinese in the territory, fearing that “its identity and culture are slowly being eroded through policies of assimilation” (Ibid: 20). Movements, sometimes radical attacks from separatists with the most outrageous one taking place in 2009, aimed to gain more autonomy or independence of the region. The proliferation of radical Islamism in Xinjiang adds to the complexity of a tight situation (Cai, 2017: 7).

Solutions to the series of crisis have been perceived to rely on economic development, since it is seen “as part of the cause of its tendency towards instability, and therefore

prosperity offers the answer to the region's problems" (Pantucci & Lain, 2017: 24). Different from the previous *Western development Strategy*, the BRI seeks to integrate the western provinces into "international value chains through enhanced trade linkages with neighboring countries and beyond" rather than simply "shower these provinces with more central government money" (European Parliament, 2016: 9; Cai, 2017: 7). So, the necessity to develop China's West also incentivizes the launch of the BRI. The connectivity programs in the region may considerably reduce the transport time and costs. For example, the construction of Gwadar Port in the south coast of Pakistan, which falls under the CPEC, may accelerate the goods transports from the Port to western China (Chen, 2017).

Transformation of economic model and overcapacity

Another two driving endogenous factors for the emergence of the BRI can be summarized as (1) the transformation of economic model from the previous stage characterized by "intensive factor inputs and export orientation", to a new one embodying innovation, economic diversification, exploration of domestic consumption, and a more sustainable growth (Liu & Dunford, 2016: 334); (2) the overcapacity of China's domestic industry mainly as a result of a "massive fiscal stimulus package", issued in November 2008 to address the global financial crisis, that in the medium term has "distorted markets and complicated China's economic transition" (EUCCC, 2016: 8).

Liu and Dunford (2016) argues that the rapid growth of labor wage has rendered China's labor-intensive industry less competitive internationally, while China's exports to major developed economies has been stagnating, with those to the EU and Japan decreasing in 2013 and 2014. Furthermore, the increasingly stringent policies on environmental industry and the call for sustainable development may oblige China to shut down some "resource-intensive industries and restructure the rest" (Ibid). "As domestic growth slows and the demographic dividend tapers off", the BRI may have much economic advantage (Menon, 2017). In this sense, new mode of international cooperation in the service of China's interests is needed to upgrade China's domestic economy, as well as to implant its companies in new markets so as to further the internationalization (Ferdinand, 2016).

Industrial overcapacity, to a lesser extent, also shapes the motives behind the BRI. Albeit official denial of the BRI as a "strategy to export China's industrial overcapacity",

BRI's projects "provide important but modest relief for Chinese overcapacity" (Xinhua, 2017; Hillman, 2018). The EU Chamber of Commerce in China (2016) identified several industries most affected by excessive capacity, involving crude steel, electrolytic aluminum, cement, chemicals, refining, flat glass, shipbuilding, paper and paperboard. In the face of huge overcapacity mainly as a result of the RMB 4 trillion economic stimulus plan, the then Vice Foreign Minister in his article published on the *South China Morning Post* addressed that it was pertinent to "turn the challenge into an opportunity by 'moving out' this overcapacity on the basis of its development strategy abroad and foreign policy" and argued that "in so doing, China will share her developmental dividends with other developing nations for common prosperity" (2014). Although pundits have downplayed the ability of the BRI to absorb such overcapacity, nevertheless, it is evident that the presence of this problem drives China to come up with a solution combined with its *going out* strategy to overcome this situation.

In effect, those domestic economic factors are manifested as another dimension of drivers behind the BRI.

2.4. Connecting the Belt and Road Initiative and Global Governance

Envisaged mainly as an initiative aimed at promoting infrastructure connectivity and investments, the BRI is in fact inserted into a complex system of regimes and institutions whose mandate transcend the national boundaries and that require multilateral efforts on a coherent and coordinated global level to guarantee the sound delivery of expected results. In other words, not only does the BRI's impact have global implications and its range and scope involve both traditional and new global governance institutions, but also its ultimate success is by and large premised upon the effective management of "the creation of new arrangements, coalitions and other types grouping that reflect the demand for the reform of international institutions" (The UNDP & the CCIEE, 2017: 38). A report on the BRI conducted by the UNDP and CCIEE follows that in order to "ensure complementary advantages, the BRI needs appropriate coordination across participating countries to promote convergence of their development strategies" (Ibid: 7).

The linkage between the BRI and global governance can be observed from two major dimensions: the provision of international public goods and the multilateral institution-building. Public goods are characterized by their two most prominent features: indivisibility

and non-exclusiveness (see Kindleberger, 1981; Gilpin, 1987). The first feature dictates that the consumption of a good by an individual will not reduce the amount of the good consumed by another one, whereas the second feature determines that the consumption of a good by one individual will not exclude the access for others to it. Although public goods can be further broken down into club goods and common goods on which conceptual restrictions are imposed, nevertheless, they will be regarded interchangeably in this dissertation (Kindleberger, 1981). Global public goods can be exemplified by international peace and security, rules, norms and institutions (Chan, Lee & Chan, 2012). Due to the free-riding problem and market failure, global public goods tend to be under-produced by the market, which concede a greater role for government of powerful countries to assume the responsibility in the international arena. In the framework of the BRI, China is now globally providing funding for countries to construct infrastructure or to upgrade the extant facilities. Also, through the SCO and other multilateral security institutions that are aligned with the BRI, it is contributing to enhance the peace and stability on regional and global levels. These public goods provided by China are significant for both developing and developed countries, since the advanced economies can “benefit from replacing or restructuring the physical infrastructure assets in place, thereby improving efficiency, or by upgrading them to be low-carbon and sustainable”, and developing countries are in need of resilient infrastructure for development (The UNDP & the CCIEE, 2017: 59). Beijing’s provision of global public goods against the backdrop of a receding US demanding fairness has a strong implication for the evolution of the global governance system in the sense that those public goods may constitute, in modest term, a complementary, if not alternative, factor in relation to the extant system mainly sustained by the US.

Secondly, China is engaging with the establishment of several multilateral institutions in support of the BRI whose membership encompasses both developing and developed countries, such as the AIIB. Apart from creating its own regimes, it also seeks to align the BRI with other extant international or regional arrangements, such as with the WB, the ADB, the UNDP, the Eurasian Economic Union (EAEU), ASEAN and so on. Although observed by scholars that bilateralism is still the major form of cooperation in the BRI’s framework, however, the inclusiveness pinpointed by Chinese government, the BRI’s embedment in a broader international context and its alignment with other multilateral mechanisms closely

connect such China-led project with the existing global governance system. Institutions are essential, as they are created by China to “enhance the predictability of interactions with other national governments, and the outcomes of these interactions” (Moxon-Browne, 2015: 69). Moreover, Beijing’s institutionalization of influence through the construction of its own regimes that embody inclusiveness and multilateralism and that garner deference from secondary states may have significance influence on the evolving global governance pattern.

Chapter Three

China's Leadership in Global Governance through the BRI

3.1. Effects on the Existing Global Governance Pattern

3.1.1. De-concentrating and de-legitimizing effects

According to theorists of *hegemonic stability*, due to the highly revisionist nature of a rising power under a unipolar and institutionalized order, prior to the actual assumption of hegemonic leadership, the rising power must “delegitimize the hegemon’s global authority and order” (Schweller & Pu, 2008: 44). De-legitimation must be accompanied by de-concentration as well, because the latter implies the more even dispersion of power throughout the system and a reduction of barriers to “both the discourse and practice of resistance to hegemonic rule”, whereas “de-legitimation provides the rationale for internal and external balancing practices” (Ibid: 47). This section will explain the de-concentrating and de-legitimizing effects on the global governance pattern from two perspectives based on an analysis of observable results: (1) diversify the international development lending mechanism and disperse the traditional lending power; (2) further push the reform of global financial governance.

International development financing regimes have long been concentrated in the hands of the US, due to the governance structure established in 1994 at the Bretton Woods conference. Given its overwhelming economic might, “the US is the dominant shareholder in the five Multilateral Development Banks (MDBs) to which it belongs—the WB, ADB, the African Development Bank (AfDB), the Inter-American Development Bank (IaDB), and the European Bank for Reconstruction and Development (EBRD)” (Morris, 2017: 1). Currently the US constitutes “17 percent of shareholding across these institutions, or twice as much as Japan, the next largest shareholder” (Ibid). As the one and only shareholder wielding veto power in the WB which has been always under the presidency of a US citizen, the US has been able to extend its foreign policies to the WB (as well as other MDBs) by shaping the terms and conditions of loans and grants to borrowing countries. Without viable alternatives, low-income and middle-income countries could only acquire loans from those traditional MDBs if they met their complex conditionality. A report by the European Network on Debt and Development (2006) reveals that the *strings* attached to the WB and IMF development loans involve conditionality on controversial economic policy. “15 of the 20 poor countries EURODAD assessed have privatization-related conditions as part of their WB lending”, while 3% of the WB conditions to low-income countries are associated with issues of trade

liberalization (EURODAD, 2006: 15). The micro-management and stringent guidelines required to carry out domestic reforms have undermined borrowing countries' national ownership and further exposed vulnerabilities of those low-income economies.

Similar with the rigid criteria to acquire loans from the International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) in the framework of the World Bank, moreover, pursuant to a statement by Alfred-Maurice de Zayas (2017), the IMF's Poverty Reduction and Growth Facility (PRGF)—a mechanism to provide loans for low-income countries—and the associated conditionality are detrimental to the public as they have diminished “states' capacity to guarantee rights and can lead to under-resourced public sectors which are vulnerable to breakdowns and emergencies” (para. 9). It is also discovered that the IMF and the WB have worked “collusively”, meaning that “where one institution fails to persuade a government to implement a given reform, the other picks up this reform” with Bangladesh the case (EURODAD, 2006: 24). In the absence of plausible options, the Bank and the Fund, together with other traditional MDBs will constitute a major source of financing for the South, thus concentrating the funding power in countries of the North, embodying the will of the largest shareholder of these institutions due to the initial design of the regimes. Eric Touissant (2014) has specified in his essay the pervasive US political influence in the decision-making of the WB.

Despite the fact that “grants and concessional loans from development partners are an essential source of infrastructure funding in LIDCs”, nevertheless, it is believed that infrastructure financing is still under-produced by the conventional MDBs and that there remains a huge infrastructure gap to be filled not only in Asia but also in the world (Gurara *et al.*, 2017: 19). Firstly, Bhattacharya, Romani and Stern (2012) revealed the deficiency of the existing multilateral financing schemes to address the challenge of lack of infrastructure investment, arguing that the Joint WB-IMF Debt Sustainability Framework (DSF) has potentially downplayed countries' growth prospect by “placing too much emphasis on debt accumulation and too little on the economic growth impacts of the investments” (20). The debt-to-GDP ratio placed by the DSF on low-income countries is limited to the range of 30% to 50%, which is considered by some experts as too low. With developing countries on average nearing this threshold in 2010, new aspects of balancing infrastructure investment and debt sustainability should be envisaged (Ibid). Secondly, the WB has allegedly become

too risk-averse, leading to unnecessary imposition of environmental and social policies which has turned middle-income countries away from the IBRD loans (The Zedillo Commission, 2009). The High-Level Commission on Modernization of World Bank Group Governance pointed out that “the relatively high financial and non-financial costs of these loans (the ‘hassle factor’)” must be “contained or reduced” should the Bank seek to lend more to the middle-income countries, and that the onerous requirements should be streamlined to retain the attractiveness of the Bank’s loan (Zedillo Commission, 2009: 11). Thirdly, it has been observed that the existing MDBs have deviated their focus from financing infrastructure to social-sectors, being the IBRD and IMF’s PRGF examples of such (Chhibber, 2017: 9). Though various reports have shown that the improvement of infrastructure may reduce substantially transportation costs, stimulate cross-border trade and accelerate urbanization process, and eventually benefit countries’ economy, there still remains an enormous infrastructure gap (Herrero & Xu, 2016). Last but not least, the work inefficiency and the slow internal management of the WB and IMF, in part due to resident boards of directors, exposed the poor performance of these two institutions.

Pursuant to the Asian Development Bank’s (ADB) estimates, only Asia alone would require \$26 trillion dollars of infrastructure investment from 2016 to 2030, “or \$1.7 trillion per year, if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change” (The ADB, 2017: xi). The infrastructure investment gap is estimated to be 2.4% of projected Gross Domestic Product (GDP) from 2016 to 2020 when calculating climate-adjustment costs, while if excluding P.R. China, the gap for the rest of the economies would be 5% of their projected GDP (Ibid). In a broader sense of developing countries over the world, the UNCTAD speculated that “some \$1.6-2.5 trillion investment in power, transport, telecommunication and water and sanitation is needed annually by developing countries between 2015 and 2030” (Zhan, 2015: 2). In the face of such a huge gap of infrastructure investment which concerns the growth of trade and economy, scholars have advocated for institutional innovations and novel rules and norms, and even, new institutions *per se*.

Against this backdrop, the BRI is providing new impetus for the infrastructure financing for developing countries, with its scope even stretching into developed countries. Different from the focus on poverty reduction, the observable BRI projects are principally

oriented for infrastructure purposes. Worthy of mentioning is that in spite of various investment and financing activities already taken by China even prior to the advent of the BRI—mainly to Africa in the twentieth century, however, by 2013, “China’s overseas direct investment (ODI) and overseas development assistance (ODA) both remain limited compared with those of other major powers”, thus remaining a “partial economic power” (Shambaugh, 2013: 157). Without a clear strategic plan, China’s financing and overseas investments were realized on more of an ad-hoc and case-by-case basis. The launch of the BRI has substantively altered this pattern by establishing a better coordination on the national level, and furthermore, by buttressing China’s global economic influence from two aspects:

(1) Diversify the multilateral development lending mechanism and disperse the traditional lending power

In support of this ambitious project, several new financial regimes were institutionalized and put into operation, combined with the traditional state-backed policy development banks. The entry of these financial platforms to the global financial governance system diversifies the options that borrowing countries are facing. Should they opt for these China-led mechanisms over the conventional ones on a cumulative basis, the BRI may largely de-concentrate the multilateral lending power dominated by the US, with the traditional rules and practices being contested and de-legitimized by the more permissive and attractive ones from the China-led institutions.

In terms of the membership of the BRI’s multilateral development funding scheme, the young AIIB has achieved what its Asian rival partner—the ADB—could not achieve in the past. By the end of 2017, the ADB had 67 members, a steady surge from the 31 members in its founding year of 1966; whereas by the end of the fiscal year of 2017, there were already 84 approved members in the AIIB, a surge from the 57 founding members at the start of 2016 (Morris, 2017; The AIIB, 2018). The current AIIB has also membership from many non-regional countries, among which Germany, France and the UK wield the most voting power. However, occupying 26.6% of votes, China is the largest holder of the AIIB.

With regard to the capital raised and projects funded throughout the BRI, the combination of multilateral and bilateral fundings have contributed to plugging the infrastructure investment gap. The AIIB has an initial capital of US\$100 billion, while the Silk Road Fund possesses US\$40 billion. In mid-2017, Chinese President Xi Jinping pledged

on the 2017 BRI Summit an additional US\$14.5 billion for the Silk Road Fund (Goh & Chen, 2017). Apart from that, empirical data point out that the China Development Bank (CDB) and the Export-Import Bank have set up in 2017 US\$36.2 billion and US\$18.8 billion respectively which will be applied to the BRI's infrastructure construction, energy and financial cooperation within a period of three years from 2017 (Nordin & Weissmann, 2018). Until the first quarter of 2018, the ExIm Bank has managed to distributed loans worth of more than US \$121.2 billion to countries incorporated in the BRI, while the CDB had a balance of loans by July 2017 worth of US\$110 billion (People's Daily, 2017). Chinese state-owned banks have also participated in the financing of the BRI, and have "collectively extended more than US \$50 billion last year (in 2016) to more than 400 projects under the flagship blueprint" (Zhu, 2017). Prominent projects include the Gwadar Port building, the Belgrade-Budapest Railway, the Amur Gas Processing Plant, Central Asia—China Gas Pipeline, etc. Notwithstanding BRI's scale and coverage, the mammoth infrastructure funding bill is far from being able to be filled by the BRI. However, as the ADB noted, financing Asia's infrastructure in the future requires not only public but also private participation, and the private financing would make up for 60% of the total financing *vis-à-vis* the public one (The ADB, 2017: 59). It also highlighted that the sound delivery of funding by private sectors will crucially depend on "actions that the public sector takes to encourage greater private participation and finance in infrastructure" (The ADB, 2017: 62). Hence, the smooth BRI projects may lay a foundation "for an uplift in investment from other sources, providing both basic infrastructure for business to leverage, and a reduction in implied risk given the official imprimatur that goes with BRI participation" (Balhuizen, 2017: para. 8). On the other hand, the sensational entry of Chinese funding and investment into the world infrastructure and energy sectors through the BRI have, from the recipient perspective, diversified the funding schemes, providing developing countries with more options beyond the traditional lending regimes. Both the CDB and the ExIm Bank lent to overseas borrowers an estimated US\$684 billion at the end of 2014, much the same as the sum of the WB and the other western-backed MDBs (Kynge, 2016: 1). This constitutes a non-negligible de-concentrating effect on the existing global creditor powers.

As to the innovative norms and practices within the BRI, they may substantively contest the rigid conditionality and the low efficiency of granting loans by the traditional

international lending platforms, ultimately de-legitimizing the existing architecture. Empirically, more permissive and flexible standards of lending and higher efficiency of governance and functioning have been observed.

To begin with, loans under the auspices of the BRI imply much less political or economic interference with borrowing countries. Different from the urge for good governance, privatization and liberalization linked to the loans from the World Bank as well as other regional development banks, and the need for prior actions to adjust the domestic policies such as public procurement, budget priorities and transparency, the lending of the BRI is not accompanied by stringent conditions that meddle with the internal governance of the recipient state. Countries that are considered with poor domestic governance, human rights performance, or low debt sustainability can also have access to BRI's financing mostly on a bilateral basis, with ad hoc negotiation and tailored terms and conditions, although the specific criteria are seldom unveiled by Chinese government which seeks to guarantee the BRI's flexibility and China's room for maneuver. According to Hurley, Morris and Portelance (2018), eight prominent countries along the BRI have disturbing fiscal problems that might bring about debt distress. When debt distress occurred, China resorted to debt relief in an ad hoc manner too, as it is not part of multilateral debt relief mechanisms, like the Paris Club. Established in 1956, the Paris Club consists of the largest contemporary sovereign creditors which are mostly up to date developed countries. As the world top sovereign-to-sovereign creditor "based on policy-bank figures alone", China's weight and practices must come with a clear global acknowledgement that "the list of the world's largest sovereign creditors looks different today than it did in 1956 when the club formed" (Hurley, Morris & Portelance, 2018: 23). China's observable practices on debt relief include debt-for-equity swap in Sri Lanka when China obtained the 99-year lease for the management of the Hambantota Port in 2017, as well as previously in Tajikistan when China acquired in 2011 a piece of disputed territory from Tajikistan which failed to repay its debt. China's status as an outsider of major global economic governance mechanisms (like the Paris Club and the OECD), together with the BRI as an external innovation beyond the traditional scope of influence of the western global governance institutions, China-led BRI "has displayed a willingness to allow loan recipients to bypass multilateral mechanisms and controls", thereby constituting "an alternative for those governments seeking to avoid the strictures of the Bretton Woods framework" (Ikenberry &

Lim, 2017: 13). Moreover, China's emphasis on respecting the host countries' laws and customs and its reluctance to "subscribe to any international standards for environmental and social safeguards" go in stark contrast with the infrastructure fundings from traditional institutions that involve a lengthy environmental and social assessment, including "mandatory prior public disclosure and comment periods", time-consuming consultation with parties involved and extensive risk mitigation approaches (Dollar, 2016: 9, 11). The AIIB explicits that the environmental and social safeguards should be implemented "in proportion to the risk" (Ibid). The de-concentrating effect that the BRI unleashes is telling, as more and more countries defer to BRI in the issue area of infrastructure-funding and may be hasten a decay of US power in this field.

Second, the BRI has manifested higher working efficiency and reduced bureaucracy in comparison to other traditional global governance institutions. The AIIB, for instance, approved "four projects within six months of its launch date", whereas "more established multilateral lenders can take a year or two to do the same" (The Economist, 2016). As for the Chinese policy banks, it has been reported that "once terms are reached with a host country, funds may be transferred directly into the Beijing-based bank accounts of China's state-owned enterprises, which execute the project using Chinese materials and labor" (Eisenman, 2018: 8). On the other hand, the management of the conventional MDBs are revealed to be overly risk-averse and often requires cumbersome paperwork, and developing countries "have learned not to take complicated, risky projects to the existing banks, when in fact those are exactly the projects where the world would benefit the most from the assistance of multilateral institutions" (Dollar, 2016: 12). Aside from this, the AIIB is employing a non-resident board of directors, which is welcomed by some as "the useful rejection of an anachronistic governing model at the other MDBs" (Morris, 2017: 2). The traditional resident board is both costly—nearly US\$ 70 million per year in the case of the WB—and inefficient, because "there is heavy emphasis on project preparation documents that satisfy the board's one size fits all requirements" (Chhibber, 2017: 13). In this regard, these different managing practices in the BRI with higher efficiency and streamlined process from the extant global economic governance system may better allure to developing countries, contest and delegitimize the established norms and regimes, and incrementally diminish the gravity of lending in the existing international system that has allegedly undermined what the poor need

the most: “an effective government that works with them for today and tomorrow” (Deaton, 2015: para. 13).

Echoing the HST, it is therefore argued that the BRI has constituted a non-negligible force of dispersing the traditional actors’ power on the existing global financial governance landscape by injecting diversity into the system.

(2) Further push the reform of the traditional global governance institutions

In the course of the de-concentration and de-legitimation of the existing global governance architecture partly through the BRI, the established global governance regimes are also under evolution in order to reflect the transforming distribution of power in the system, and partly to accommodate the “centrifugal” force that China has unleashed to the order. It is argued that the reform of the established regimes will contribute to the elevation of China’s *prestige*, and enhance its power in the decision-making in the global governance system.

Due to US Congress failure to consent to the major quota and governance reform within the IMF, such reform already approved by the Board of Governors in 2010 to empower the emerging economies in this institution did not materialize. Things only changed after the emergence of new institutions and practices, especially since the foundation of the AIIB in 2015, which, according to Ikenberry and Lim (2017), ultimately led to the authorization from the US Congress of the reform. Among all developing countries and emerging economies, China’s voting shares have risen from 3.8% to 6% (The BBC, 2015).

In mid-2018, after rounds of tough negotiations, the US Treasury Department surprisingly granted “green light” to a US\$13-billion WB capital increase, signifying an increase of China’s voting power in the International Bank for Reconstruction and Development (IBRD) from 4.45% to 5.7% (Donnan & Fleming, 2018). The turnover of Washington’s attitude registers a U-turn from its antagonistic rhetoric in October 2017 in which it refused to “pony up more money for development projects” of the Bank and wanted the WB to serve as a counterweight to China’s new financial mechanisms and mounting influence. For Zumbun and Fidler (2018: para. 18), “the administration had an initial impulse to disengage, but shifted course after realizing China would fill a void if the U.S. were to retreat”. Out of fear of ceding its power to China that is dedicated to enhancing its *prestige* by portraying itself as a responsible player, in particular in the framework of the BRI backed up

by innovative institutions and novel norms and practices, the US is alerted and is acting to arrest its relative decline by providing China, albeit recalcitrantly, with more authority. With the passage of time, “it may enable China to push for further adjustment of the Bretton Woods system in its favor” (Ikenberry & Lim, 2017: 13). Other instances include the reported capital shares increase by emerging economies in 2016 in the Asian Development Bank under the domination of Japan and the US (Venzon, 2015).

All in all, the sound delivery of BRI projects calls for effective financial institutions within China’s scope of influence so as to elevate the project’s efficiency. As new-arrival in the multilateral development domain, in a bid to attract other secondary states, China is in need of new rules and practices *vis-à-vis* the old ones in the old global governance system. Under the challenges from these more permissive rules and novel practices, traditional global governance regimes and their major sponsors will also seek to adapt to this changing context by accommodating the demand from China, thereby uplifting gradually, if not immediately, China’s weight in the decision-making of them. The BRI is able to help China take up the leadership of pushing the reform of the architecture of these regimes.

3.1.2. Complementarity with the existing global governance regimes

Rising in an established international system with a complexity of global governance institutions, in realist terms, is revisionist, and risks being labelled illegitimate. In this regard, strategies must be cautiously chosen and implemented by the rising challenger in order to materialize its ambitions. Largely consistent with China’s *dualistic approach* exhibited in the previous section owing to the fragmented nature of the global governance system, the BRI displays such continuity, by selectively complementing and aligning itself with the mandate of some existing global governance regimes, so as to add to the legitimacy of the project. Against the backdrop of US retreat from multilateralism under the Trump Administration, BRI’s alignment with international arrangements may confer to Beijing a greater role in leading the execution of multilateral commitments and help it further gain leverage in the global governance system *vis-à-vis* a unilateral White House.

Efforts have been made by both Chinese officials and those from the international organizations to find complementarities and synergies between the BRI and global commitments, especially with the UN 2030 Agenda for Sustainable Development. Launched

in 2015 after extensive international consultation and collaboration, the UN SDGs encompass all dimensions of human development. The United Nations Development Programme (UNDP) and the CCIEE have jointly issued two reports specifically addressing the issue of complementarity, highlighting that “the BRI can be seen as a complementary framework to the existing global governance system” (2017: 55). Rhetorically, the five overarching priorities of the BRI largely overlap the Sustainable Development Goals (SDGs) no. 8 to 10, standing for “decent work and economic growth”, “industry, innovation and infrastructure” and reduced inequality”, respectively. Envisioned as a “win-win strategy” by the UNDP, the alignment between the 2030 Agenda and the BRI may fill the SDGs “with local content and enhancing their coordination, opening the way for the BRI to positively impact critical social issues such as inequality and inclusiveness” (Ibid: 56). Furthermore, the BRI may also be regarded as a financing arm for the SDGs, engendering effects that enable associated countries to have “greater access to supply chains and alleviated financing constraints, complemented by returns to scale driven by access to the much larger global markets, and by benefits associated with inflows of technical and management know-how” (Horvath, 2016: 11). In June 2018, the UN High-Level Symposium on the BRI and SDGs was held, on which the President of the UN General Assembly, Mr. Miroslav Lajčák, endorsed the BRI and posited that the BRI “represents a commitment to the SDGs, to climate action and to multilateralism” (para. 4).

In addition to the goal of improved infrastructure, unimpeded trade is another emphasis of the BRI. This can be brought about by ameliorating physical interconnectivity, on one hand, and by means of enhancing “soft infrastructure” through reducing trade barriers. Beijing is assertively promoting the negotiation of free trade agreements (FTAs) with other countries, and since the launch of the BRI, Beijing has been seeking trade cooperation with states envisioned in this grand project. By June 2018, China has signed 16 FTAs, among which those with Switzerland, Georgia and Maldives came into effect after the proposal of the BRI, with the China-Singapore and China-Switzerland FTAs under negotiation for the sake of upgrading the cooperation. Currently, 14 other FTAs are under negotiation, notably the Regional Comprehensive Economic Partnership (RCEP). Worthy of attention is the China-ASEAN FTA which came into effect in 2010, because “the lack of results of the ASEAN states’ 30-year-long attempt to achieve intraregional trade gave way to Beijing which has

driven the huge demand for Southeast Asian products” (Wu, 2018: 26). Coupled with refined facilities and reduced transportation costs, this would enhance the Southeast Asian integration to another broader context by attracting these emerging economies to China’s development orbit (Ibid). Trade is essential to realize the SDGs, and the importance of world trade for international development is codified into the Articles 62 and 63 of the 2030 Agenda. According to Bruegel’s estimates, should the tariffs be cut to zero as a result of a successful FTA within the BRI area (while maintaining the transportation costs unchanged), then trade would increase by 15% in countries in the Middle East, Central Asia and East Asia. (Herrero & Xu, 2016: 8). Besides China’s huge endeavors to reaching free trade agreements with other actors, the building of special economic zones (SEZs) is also part of the BRI. In Pakistan, 29 SEZs are expected to be built under the banner of CPEC, while Vietnam approved in 2018 a Special Zone Act with prospects that the largest beneficiary would be China (Pantucci & Lain, 2017; Fawthrop, 2018). Other SEZs can be seen in Laos, Uzbekistan, Khorgos, a Chinese region bordering Kazakhstan, and so forth. This move is welcomed by Uzbekistan where Chinese enterprises have invested in the textiles industry, “as it is part of the (Uzbek) national economic strategy to invest in the production of clothing as opposed to exporting cotton” (Pantucci & Lain, 2017).

The BRI’s complementarity with the 2030 Agenda with emphasis on enhancing infrastructure and boosting world trade is deemed necessary by officials and scholars for China not only to successfully deliver the project but also to act as a responsible player, alongside with its rising power. The commitment that Beijing is demonstrating to the very product of multilateral collaboration within the existing global governance regimes portrays China’s desire to build up credibility. After all, according to Keohane, “a government’s reputation therefore becomes an important asset in persuading others to enter into agreements with it” (1984: 94). This may add to China’s leverage in the existing global governance system especially when it is faced with what is thought to be a inward-looking and retreating US from free trade and multilateral arrangements. First, the trade tension that the Trump Administration has triggered with China and the rest of the world not merely may negatively affect the targeted states, but also would produce repercussion effect that impacts other developing countries, for the reason that “goods assembled in China then exported to the US will have components made elsewhere”, namely in Southeast Asian states (McRae, 2018:

para. 6). Manufacturing industry in these nations would be harmed if the US protectionist trade policy carries on, constituting an existential obstacle to the realization of the commitments stipulated in the 2030 Agenda. Second, the US withdrawal from the Paris Agreement and its reduced contribution in 2018 to the Global Environment Facility aroused widespread criticism globally (Crunden, 2018). Conversely, Beijing continues to abide by the Paris climate deal, and Chinese banks have started releasing “Belt-and-Road-focused green bonds”. In 2017, US\$2.15 billion BRI green climate bond was issued that will refinance “renewable energy, low-carbon and low-emission transport, energy efficiency and management of sustainable water resource projects” (Chan, 2018: para. 11). Despite a late entrant to the green bond market, to date, Beijing’s green bond issuance surpasses that of other countries or supranational organizations (Hu, 2018). It is believed that China’s interests in the green bond will expand, for the sake of the “imperative to address pollution concerns and finance sustainable development under its Belt & Road Initiative policy” (Ibid: para. 4).

With respect to the the BRI’s multilateral financing regimes, the initial projects that the AIIB lends to are actually in collaboration with other MDBs—namely the World Bank, the ADB and the EBRD—in part to “build up a portfolio of low-risk projects and [...] build a positive reputation in financial markets” (Ikenberry & Lim: 14). By redirecting the traditional multilateral regimes to financing infrastructure projects, China may exert more influence in orienting funds in the global financial governance architecture.

In sum, China’s efforts in complementing the BRI with the existing global governance regimes and its compliance with international commitments may confer it more credibility and reputation that are necessary for it to carry on the grand project. In the context where the current US administration downplays multilateralism and launches predatory policies, the BRI which is combined and aligned with extant global governance regimes may provide impetus for the continuation of these regimes in which China is undertaking greater leadership in the meantime when the US leading role is decaying.

3.1.3. Limitation and risks

Notwithstanding the BRI’s significance for Beijing to attempt for more leverage in global governance, limitation and the associated risks of this project may yield opposing effects, and has fueled concerns among officials and scholars.

The fact that the BRI cannot fully detach from the existing global governance regimes and that its overarching principle embodies multilateralism and wide consultation entails a limitation in operational terms for Beijing to exert greater influence. As “multilateralism is [...] a source of both legitimacy and constraint”, multiple preferences from secondary states may let China unable to assume monopoly over the whole project (Ikenberry & Lim, 2017: 14). Despite being the largest shareholder in one of the financial arms of the BRI, the AIIB chief stated that China renounces the exercising of veto power within the AIIB (Jing, 2016). This is contrasted with what the US does in the Bretton Woods institutions. The presence of western shareholders in the AIIB, and in a broader sense, the participation in the BRI of western countries that belong too other larger groupings have hindered Beijing’s ability to “translate its growing capabilities into greater political influence” (Ibid). Although the bilateral approach with which China is engaging with secondary states of the BRI may enhance the project’s flexibility and give China more room for maneuver, the list of growing adherents with different socio-economic backgrounds would put Beijing’s ability to secure stakeholders’ support into test. Additionally, BRI’s alignment with other global governance arrangements may place China’s move under international scrutiny, especially when it comes to infrastructure projects co-funded by AIIB and other actors with application of existing norms and practices. Though this aims to ensure BRI’s credibility, the adoption of established practices curtails the possibility for China to wholly impose its preferred rules to the system, thereby debilitating its capability of de-concentrating and delegitimizing the existing global governance pattern and of assuming hegemonic leadership.

More of a critical risk is the fear over the debt distress of secondary countries. Whereas the BRI is of much attraction to developing countries since they are often frustrated by “stringent IMF conditions on debt management that mean needed infrastructure must be delayed”, worries about debt sustainability is growing (Clover, 2018: para. 14). In her statement on a conference in Beijing in 2018, IMF’s Managing Director Christine Lagarde warned of the fiscal risks as a result of financing un-needed projects and misusing funds. The Center for Global Developing issued a report in 2018 addressing the BRI’s debt implications and identified eight countries vulnerable to debt distress (see Figure 3 in Appendix) (Hurley, Morris & Portelance, 2018). Should debt default occur, or if some of the BRI projects were to

fail, the credibility of the BRI might be severely undermined, thus diminishing China's role of pushing the global governance system to its favor.

Another risk, albeit not imminent, centers on China's economic slowdown. Steady economic growth of the *hegemon* is seen by Gilpin as a "cement that helps hold the system together", and "this growth declines, centrifugal forces increasingly manifest themselves" (1987: 76). After the China's real GDP peaked at 14.2% in 2007, its GDP growth rate has been receding, and by 2017, it stood at 6.8% (Wong, 2018). According to IMF estimates, China's economic growth may reach 5.5% in 2023 (Yang, 2018). This deceleration is further coupled with repercussion resulted from the trade tension with Washington, which may further add hardship to China's economic growth as the recent depreciation of Chinese *renminbi* may expose borrowers to debt distress. The uncertainty over China's own economic performance and the unfavorable international condition could increase the financial difficulty for China to implement the BRI, and could hinder China's execution of its plan of attaining global governance leadership.

In conclusion, the BRI constitutes an effective instrument as the first step for China to strategically undertake leadership in the fragmented global governance system, as the Beijing-led institutions combined with novel rules and practices exert de-concentrating and delegitimizing effects on the established ones, push the reform of existing global governance regimes in its favor, and enhance China's *prestige* and demonstrate its adherence to international commitments by selectively aligning the BRI with extant international arrangements against the backdrop of an inward-looking US. However, the BRI's emphasis on multilateralism and reliance on the established regimes impose operational constraint on Beijing's actions, while the sound delivery of the project requires more attention on the debt sustainability of secondary states, and more importantly, on China's own steady economic growth.

3.2. Command of Stakeholder Support

Through *neoliberal* prism, hegemonic leadership, unlike imperial domination, "cannot make and enforce rules without a certain degree of consent from other sovereign states" (Keohane, 1984: 46). Should the BRI be able to secure wide endorsement from secondary states whose

deference consolidate Beijing's expanding power, then the BRI may be seen as effective to help China assume hegemonic leadership in a broader global governance system. As many as 65 countries are originally envisaged as part of the BRI, and other non-regional countries have also demonstrated interests in this project. During the Belt and Road Forum on International Cooperation held in May 2017, 29 heads of state or government and official delegation from approximately 60 countries participated in the summit, and have endorsed the BRI in the forum's *joint communiqué* (Taneja, 2017). According to incomplete statistics, by mid-August 2018, around 54 countries, including 4 non-regional states, have signed the so-called *memorandum of understanding* (MoU) on cooperation in the BRI's framework with China (see Table 2). Since it is difficult to address the exact concerns that individual states hold, analysis will be based on observation on opinions from a regional perspective. The BRI-related states are grouped into six regions in accordance with the categorization by China's state media: Central Asia, Southeast Asia, South Asia, Eastern and Central Europe, Russia and seven other post-soviet independent states, Middle East and West Asia.

As for Central Asia, grand infrastructure projects in this region, i.e. the gas pipeline between Turkmenistan and China, the China-Europe Railway that cuts across Kazakhstan, have "not only fulfilled China's interests, but also helped realize those land-locked countries' common desire to become 'land-linked'", a vision that the Central Asia Regional Economic Cooperation Program (CAREC) proposed in 2012 (Wu, 2018: 23).

Although the BRI was initially faced with mixed attitudes in Southeast Asia due to the maritime disputes with China, nevertheless, signs have shown that leaders in this region have gradually been more acceptive of it. The inaugural of a more pro-China Filipino presidency, and the new Vietnamese draft law on establishing three new economic zones with the largest beneficiary speculated to be China, are conceived to mitigate the previous antagonism of these countries towards Beijing. Through attracting the Southeast Asian developing countries to its economic orbit, China has served as the engine for regional economic development, and the BRI helps diffuse tensions on territorial disputes, buttresses China's influence in the region, and commands elite support.

Elite endorsements for the BRI based on similar reasons are also found in the case of Central and Eastern European states which, through the institutionalization of the "16+1", have been able to engage with China and cooperate on the promotion of the BRI. A new trend

in this region has been sensed on the annual China-CEEC think tank conference: “a need for the CEEC to find its ‘own voice’ when it comes to bringing forward a desirable model of cooperation” (Bachulska, 2018: para. 4). The eagerness for diversified partnership met with huge Chinese investment—estimated to be US\$8 billion in the region—and various infrastructure projects, including the Belgrade-Budapest railway, a highway linking Montenegro and Albania, etc.

Another key region involved is South Asia where excluding India that remains reserved with the BRI out of geopolitical considerations and Bhutan that still has not signed the MoU on BRI cooperation with China, officials from six other countries (see Table 2) have overall welcomed the BRI, with Pakistan the biggest partner with China. China is heavily involved in investment projects in the Maldives, and is reported to have provided financing at concessional terms for the upgrade of an international airport with a maturity of 20 years added by a five-year grace period, while “other creditors have apparently not been so generous” (Hurley, Morris & Portelance, 2018: 17). Easy access to funds, together with China’s flexibility in debt relief, incentivizes these countries to defer to the BRI.

Less enthusiastic, Russia and six other post-soviet independent states (see Table 2) have also voiced support to varying degree for the BRI, while Russia chose to join the Beijing-led projects primarily out of the consideration of the risks of “not joining”. After the proposal of the BRI in 2013, Moscow was reported to be “reluctant to engage in any meaningful negotiation as to how Xi’s initiative would coexist with the EAEU”, owing to concerns about the intrusion of Chinese power into Russia’s sphere of influence. However, under Western sanctions given Russia’s annexation of Crimea, it became more difficult for Russian companies to raise funds, exemplified by the case of Novatek and Gennady Timchenko (Pantucci & Lain, 2017). As a consequence, “Moscow will be pushing Beijing to include the Trans-Siberian Railway and the northern Baikal-Amur Railway as part of the OBOR project” (Ibid). In the hope of wielding influence in the post-soviet space, Russia’s engagement with China in the framework is deemed as strategic, as being part of the BRI may also contribute to shape the project’s design to Russia’s favor. As to attitudes from other countries of the region, Armenia and Azerbaijan are adamant about the participation in the BRI, as the former “aspires to build the north-south connection between the Persian Gulf and Georgia’s black sea ports where Chinese are investing” and the latter positions itself as an

important transport link between Asia-Caucasus-Europe (Inan & Yayloyan, 2018: 58; Mammadov, 2018). The need for investments and trade, and the desire to compete for the transport hub also incentivize leaders from Georgia, Belarus and Ukraine to endorse the project.

China's recently increased commercial visibility in the Middle East and West Asia has laid a foundation for its expansion of the BRI into this region, although the cooperation is still at an embryotic stage. On the Eighth Ministerial Meeting of the China-Arab States Cooperation Forum (CASCF), ministers said that they would explore "a development path that suits their national conditions, eagerly expect to participate in the Belt and Road construction, and stand ready to take this opportunity to deepen practical cooperation in various fields with China" (MOFA, 2018: 5). It is understood in this region that the BRI presents an opportunity for countries to diversify their economic model, since the promotion of e-commerce and the development of new energy are also embodied in the BRI as a Digital Silk Road and Green Silk Road (Saidi, 2018).

Overall, the endorsement for the BRI primarily originates from leaders, elites and policymakers of these countries. From a *neoclassical realist* viewpoint, leaders' perception is essential for the orientation of a country's foreign policy, and China's bilateral engagement with leadership of secondary states have yielded desired outcomes insofar as it generally manages to secure the support from those elites so that the BRI can be implemented. From a *neoliberal* perspective, secondary states have chosen to defer to some of the multilateral regimes that are related to the BRI and that may facilitate or catalyze cooperation, for example, the "16+1" for CEECs, the SCO for Central Asian countries, CASCF for Arab states, and "10+1" for ASEAN nations. By institutionalizing influence in these forums and by incentivizing countries with huge package of investment and business opportunities, China has been able to allure these countries to its sphere of influence, which, as the US influence is perceived to erode under the current administration, may in turn buttress the role of these regimes and enhance Beijing's diplomatic and economic position insofar as it provides an alternative node of global cooperation. Therefore, *elite* generally supportive attitudes from BRI-related countries have been a critical factor that the BRI exerts its aforementioned influence to enable China to assume greater leadership in global governance.

Notwithstanding *elite* consent, resistance can be observed from the constituencies from some of the countries involved, and since these countries' leaders eventually are responsible for their electorate, *elite* deference to the BRI should not be taken for granted.

The fact that “Chinese investment tends to come with a Chinese workforce” along the Belt and Road fuel worries about both a “covert Chinese ‘land grab’” and fewer jobs that go to locals, and the use of Chinese workers is said to be one of the requirements for the soft loans provided for the participating countries (Pantucci & Lain, 2017: 66). Few employment opportunities for local people, coupled with occasional clash between Chinese workers and local communities have engendered protests among the population against the BRI, even in some of the most important countries of this project, i.e. in Kazakhstan. Also, Turkmen and Kyrgyz authorities have also imposed labor restriction on some Chinese companies based in their countries (Le Corre, 2018).

Another factor that arouses public resentment centers on the low environmental and social standards and ill project management. People from Cambodia, Vietnam and Laos have complained about the “environmental damage and droughts from Chinese hydropower projects along the Mekong River”, and outcry in Myanmar pointed to Chinese companies that clear-cut forests (Eisenman, 2018: 15). The lack of conditionality of the BRI projects has caused environmental degradation and may escalate “as rising labor costs in China push more ‘dirty’ manufacturing to relocate to cheaper and less well-regulated developing countries” (Ibid). The non-transparent nature of the BRI adds to the difficulty for the BRI projects to be placed under public scrutiny and be “enforced in open societies where an independent judicial branch, media, activists and public can freely challenge government and business interests” (Ortolani, 2018: para. 23).

The fear of infiltration of Chinese power in their critical domestic sectors due to the BRI has triggered the nerve of recipient countries' population as well. Under mounting pressure, the 2018 Vietnamese draft law in allowing the establishment of 3 new economic zones with speculation over a 99-year lease to China is still under review by the Vietnamese authorities, and the results remain to be seen (Elmer, 2018). Similar protests also took place in Sri Lanka over the lease of the Hambantota port to China for 99 years which reportedly serves into China's geopolitical interests in the Indian Ocean (Aneez, 2017). Even in Pakistan, public fear over China's meddling with domestic affairs for the sake of protecting the BRI and over

“unequal agreements” signed by the two countries has turned into a series of protests (Shen, 2018). As per a protocol on the 40-year lease of the Gwadar port, 91% of the port’s revenues will go to the Chinese operator, while the remaining 9% belongs to the Pakistani government (Aamir, 2018). In addition, China has held talks with “Pakistani tribal separatists for more than five years” in the hope of guaranteeing the execution of the CPEC (Bokhari & Stacey, 2018: para. 1).

Interesting is that in spite of the destination of the new Silk Road, nonetheless, the EU is not included in the country list in China’s state media report. Resistance to China’s influence in the EU does not only originate from the general public, but also from *elites* themselves. The European Commission President Juncker proposed in 2017 a framework of screening foreign direct investments, which is perceived to aim at Chinese expansion in Europe, notably after a Chinese state-owned company COSCO took over the management of the Greek Piraeus port. Juncker claimed in his State of Union address that “if a foreign, state-owned, company wants to purchase a European harbour, part of our energy infrastructure or a defence technology firm, this should only happen in transparency, with scrutiny and debate” (2017: 3). Furthermore, 27 out of the 28 EU ambassadors in Beijing issued a report in 2018 condemning the BRI which places the Chinese companies at an unfair advantage (Prasad, 2018). It is estimated that 89% of the BRI projects are being carried out by Chinese enterprises, leaving little space for the European companies to access this huge initiative. Due to worries over non-transparency, the flagship Budapest-Belgrade Railway is halted by the EU “until a more transparent bidding process was adopted” (Ibid: para: 4). In this regard, as the destination of the BRI, the EU’s reticence and negative perception about this murky project may be an obstacle for China to execute this ambitious plan.

In closing, growing public pressure has also been shaping *elite* perception of the BRI, thereby creating uncertainty of BRI’s future prospect. Combined with the analysis on the deference from secondary states through the *neoclassical realist* prism, it is demonstrated that, although *elite* perception generally favors the BRI for the time being, nevertheless, in the long run, it is the people along the countries that will decide ultimately whether to defer to the BRI. Should resistance remain or grow, secondary states may face constraint to mobilize human resources in support of their deference to the BRI. Hence, more efforts are yet to be

invested to create benefits to the locals and protect the recipient countries' ecosystem and society. So far, it is concluded that at the present stage the BRI has been by and large an effective instrument for China to further assume a larger leadership in the global governance system in that it garners deference from secondary states by mainly securing the *elite* group, accumulates clientele, forges partnership, and provides a new node of global cooperation, which is essential for the realization of hegemonic leadership in the views of *neoliberalism*. However, Beijing's practices in these countries should be adjusted, by respecting the environment as well as exploring the involvement of local communities. Only through this could the BRI be sustainable and further hold their support.

Conclusion

The current global governance system, in which China is rising in economic capacity, presents three most notable features. First, it is highly institutionalized with multiple regimes and organizations overseeing issues of different natures. Second, the fragmentedness and multilayeredness of the global governance system permit countries to adopt more than a single approach to engage with these varying governance bodies. Third, the established global governance pattern was mainly designed and is predominated by western countries, at the core of which is the US that has assumed a *hegemonic* leadership in agenda-setting, provision of public goods, among others.

However, the significant change of distribution of power in the international system is not being accompanied by timely adjustments of global governance arrangements wherein China and other emerging economies are seeking increased influence. Eschewing the *simple paradigmatic preponderance* approach, this dissertation drew upon the *neorealist* and *institutional liberalist* presumptions that rising dominant powers tend to seek influence and leadership in international aspects in a bid to secure the external environment and perpetuate their values and norms, and that regimes and institutions are essential to this end because they may catalyze cooperation and deference from secondary states. Also adopted is the *neoclassical realist* paradigm according to which domestic circumstances including *elite* perception and the degree of *state power* are vital for the orientation of a country's foreign policy.

Under the presidency of Xi Jinping, the BRI is a flagship policy that Beijing is promoting across the globe. His term of office, now for an indefinite period, has seen substantive changes not only with regards to state narratives but also practices concerning global governance. In comparison with previous Chinese leadership, President Xi rhetorically propagates the notions of the *China Dream* and *community of shared destiny for mankind*, representing an ideological transformation from a former risk-averse attitude to a more proactive posture, and laying a foundational discourse for the execution of the BRI. The openness and inclusiveness in these concepts also go in contrast with the predatory rhetorics from a more inward-looking Washington D.C, and thereby offer an alternative node of international cooperation. The more assertive discourse is combined in practice with a *dualistic approach*, meaning that Beijing is acting both as an insider within traditional global governance institutions, like the UN, and an outsider through several innovative regimes, like

the BRICS and the SCO. Hence, the BRI, as a China-proposed and -led project, is to be understood as one of these external innovative regimes.

In order to tackle the research question—*whether or not the BRI is an effective instrument for China to undertake leadership in global governance*, a thorough assessment based on content analysis and process-tracing has been conducted from two different perspectives, and concluding remarks are drawn hereinafter.

First, according to the *neorealist* paradigm, by assuming the revisionist nature of China's rise in a highly-institutionalized global governance system and by recognizing that a prior stage of de-concentration and de-legitimation of the existing institutions and norms should come first, it is argued that the BRI in fact diversifies the multilateral development lending mechanism. Its supporting financial arms, such as the AIIB, the two policy banks, and Silk Road Fund, partly fill the mammoth infrastructure gap in Asia and elsewhere, and presents a more permissive conditionality and higher work efficiency *vis-à-vis* the traditional international mechanisms. More flexible debt relief approaches and other novel practices regarding the internal administration of the multilateral financial institutions have enabled the BRI-related countries to acquire funds for the building and upgrading of infrastructure, which could not have been that accessible in the case of traditional global financial governance institutions. As more and more countries adhere to the BRI, pursue membership in the BRI-related financial institutions and acquire funding, it is believed that the BRI has been able to contest the extant rules in the global financial governance system and disperse the lending power concentrated in the hands of the established institutions dominated by the US and western countries.

Meanwhile, faced with Beijing's growing influence buttressed by the BRI, the established global governance schemes have also begun to adjust themselves by conferring China and other developing countries larger weight in their decision-making process. Furthermore, pursuant to the *institutional liberal* view, the adherence of the BRI to the UN 2030 Agenda and Paris Agreement, as well as its emphasis on free trade, are examples that demonstrate Beijing's commitment to international responsibilities, which, against the backdrop of a more unilateral and protectionist White House, gives China a bigger role in leading the implementation of these products of global governance, and provides impetus for the continuation of these regimes wherein China has a greater leverage.

Hence, it is safely concluded that, at this very stage of Beijing's ascent, the BRI is by and large an effective instrument, for China to gain leadership insofar as it manages to alter the global governance pattern in its favor, despite that the multilateralism embodied in the project from the outset may add certain operational constraint on Beijing itself. Nevertheless, attention should be paid to the associated risks of debt distress, as well as China's economic slowdown, as they may undermine BRI's future sustainability.

Second, in conformity with *neoliberal* thinking, being able to secure stakeholder support is fundamental to the effectiveness of a regime. From a recipient perspective, when the stakeholder—in this case the secondary states of the BRI—is further broken down into the *elite* and the general public, according to the *neoclassical realist* views, distinct results may appear. Although most of the countries along the six main regions incorporated in the project have endorsed the BRI and a majority of them has signed agreements with China on cooperation, the endorsements primarily come from the policymakers and *elite* group, as they perceive that the BRI is beneficial for their countries' development of infrastructure, or diversification of economic partnership. Others strategically engage with the BRI with the aim to shape the policy. Their favorable perception of the BRI has led to deference to the project, and their participation in various forums instituted by China to explore foreign partnership has facilitated policy coordination. In support of the BRI, they may further cement Beijing's determination in pushing forward the project, and the enlargement of clientele and membership may enhance Beijing's leading role in providing an alternative node of global cooperation. In this sense, it is argued that the BRI can be deemed effective for China to garner general support which is important for the assumption of global governance leadership. However, public resentment and occasional anti-China protests have also come to negatively shape *elite* perception and reaction, as the constituencies perceive not having benefitted from the BRI. Given the environmental degradation and fear of decay of their countries' sovereignty, population in even some of the key BRI-related states has expressed resistance to China. In this regard, Beijing should not take deference from secondary states for granted, and instead should consider a more comprehensive approach in guaranteeing the stakeholder support.

All in all, the BRI is for the time being generally effective for China to pursue leadership in global governance from the two perspectives demonstrated in this dissertation.

But its sustainability requires future adjustment to better satisfy secondary states, and more importantly, their people, and to address associated problems that are hindering China from assuming a greater role.

This dissertation has contributed to the literature on Beijing's search for leadership in global governance by means of the BRI, and future research needs to address other attributes of this grandiose strategy, for instance, its security mechanism in safeguarding the sound delivery of the projects. Additional attention should also be paid to other instruments that China is utilizing in order to garner larger influence in the international arena, such as the BRICS and the SCO, and their synergy with the BRI.

Appendices

Table 1: The spectrum of China's institutional choices (Ikenberry & Lim, 2017: 7)

STATUS-QUO STAKEHOLDER	AUTHORITY- SEEKING STAKEHOLDER	INSITUTIONAL OBSTRUCTION	EXTERNAL INNOVATION	OPPOSITION
Join; participate within existing rules and practices.	Join; seek greater voice through redistributing decision-making authority.	Join; alter, impede, or contain the pursuit of undesirable rules, practices, and norms.	Build new institution; (1) offer alternative node of cooperation; (2) promote alternative rules/norms within	Outright opposition to or non-participation in existing institutional arrangements.

Figure 1: Roadmap for the Silk Road Economic Belt (SREB)

(Source: HKTDC Research)

The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa

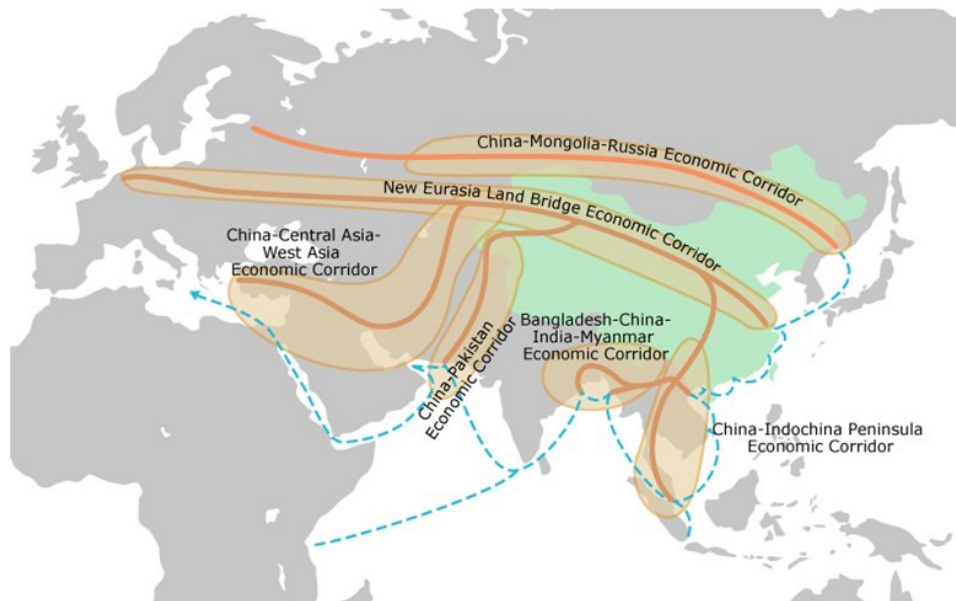
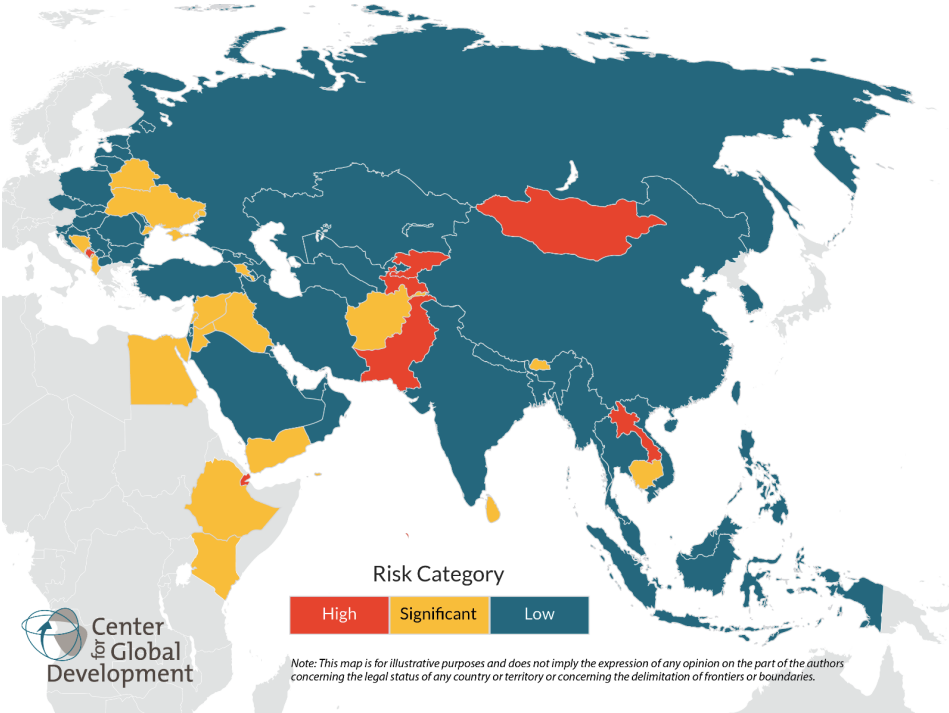


Figure 2: Roadmap for the 21st-Century Maritime Silk Road (MSR)
(Source: Xinhua News Agency)



Figure 3: Risks of debt distress due to future BRI financing
(Source: Center for Global Development)



**Table 2: Countries that have signed Memorandum of Understanding on BRI
Cooperation with China by Mid-August 2018**

Countries	Signature of MoU (1=yes; 0=no)
<i>ASEAN Countries</i>	
Malaysia	1
Singapore	1
Myanmar	1
Vietnam	1
Cambodia	1
Laos	1
The Philippines	0
Brunei	0
Thailand	1
Indonesia	0
<i>Middle East and West Asia</i>	
Iran	1
Iraq	0
Turkey	1
Syria	0
Jordan	0
Lebanon	1
Tunisia	1
Israel	0
Palestine	0
Saudi Arabia	1
Yemen	0
Oman	1
United Arab Emirates	0
Qatar	1
Kuwait	1
Bahrain	1

Greece*	0
Cyprus*	0
South Asian Countries	
India	0
Pakistan	1
Bangladesh	1
Afghanistan	1
Sri Lanka	0
The Maldives	1
Nepal	1
Bhutan	0
<i>Central Asian Countries and Mongolia</i>	
Kazakhstan	1
Uzbekistan	1
Kyrgyz Republic	1
Turkmenistan	1
Tajikistan	1
Mongolia	1
<i>Russia and post-soviet independent states</i>	
Russia	1
Ukraine	1
Belarus	1
Georgia	1
Azerbaijan	1
Armenia	1
Moldova	1
<i>Central and Eastern European countries</i>	
Poland	1
Lithuania	1
Latvia	1
Estonia	1

Czech Republic	1
Slovenia	1
Slovakia	1
Hungary	1
Croatia	1
Bosnia and Herzegovina	1
Montenegro	1
Serbia	1
Romania	1
Bulgaria	1
Macedonia	0
Albania	1
Extra-regional states	
East Timor	1
Dominican Republic	1
Panama	1
Niue	1
Uruguay	1

Note: Countries marked with “*” are geographically European nations but Chinese state media and the official website of the Belt and Road Initiative include them in a larger grouping of the Middle East and West Asia (see <http://ydyl.people.com.cn/n1/2017/0420/c411837-29225243.html>).

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